

# **Siyancuma**

**MUNICIPALITY**



(These statements have not been audited)

## **FINANCIAL STATEMENTS**

**30 JUNE 2016**

# SIYANCUMA LOCAL MUNICIPALITY

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# SIYANCUMA LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Siyancuma Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

Siyancuma Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Siyancuma Municipality includes the following areas:

*Douglas*  
*Griekwastad*  
*Campbell*  
*Schmidsdrift*

#### MEMBERS OF THE COUNCIL

Mayor	<i>L. Oliphant</i>
Councillor	<i>J. George</i>
Councillor	<i>M. Selebogo</i>
Councillor	<i>S. Mosette</i>
Councillor	<i>P. Mc Klein</i>
Councillor	<i>D. Koopman</i>
Councillor	<i>A. Oliphant</i>
Councillor	<i>M. Eland (Resigned)</i>
Councillor	<i>V. Adams</i>
Councillor	<i>R. Booysen</i>
Councillor	<i>L. Van Niekerk</i>
Councillor	<i>L. Van Wyk</i>

#### MUNICIPAL MANAGER

*H.F. Nel*

#### CHIEF FINANCIAL OFFICER

*None*

#### REGISTERED OFFICE

<i>7 Chari Street</i>	<i>P.O. Box 27</i>
<i>Douglas</i>	<i>Douglas</i>
<i>8730</i>	<i>8730</i>

#### GRADING

*Grade 2*  
*Medium Capacity*

#### AUDITORS

*Auditor-General (NC)*  
*Private Bag X5013*  
*KIMBERLEY*  
*8300*

#### PRINCIPLE BANKERS

*Standard Bank, Douglas*      *First National Bank, Douglas*

#### ATTORNEYS

*Herman van Heerden Attorneys*

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

# SIYANCUMA LOCAL MUNICIPALITY

## MEMBERS OF THE SIYANCUMA LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	<i>J. George</i>
2	<i>M. Selebogo</i>
3	<i>S. Masetle</i>
4	<i>P. Mc Klein</i>
5	<i>D. Koopman</i>
6	<i>A. Oliphant</i>
Proportional	<i>L. Oliphant</i>
Proportional	<i>V. Adams</i>
Proportional	<i>R. Booysen</i>
Proportional	<i>L. Van Niekerk</i>
Proportional	<i>L. Van Wyk</i>

## APPROVAL OF FINANCIAL STATEMENTS


I am responsible for the preparation of these annual financial statements year ended 30 June 2016, which are set out on pages 1 to 91 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
\_\_\_\_\_  
H.F. Nel  
Municipal Manager

31 August 2016

\_\_\_\_\_  
Date

**SIYANCUMA LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

	Notes	2016 R (Actual)	2015 R (Restated)
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>237 186 077</b>	<b>240 639 669</b>
Accumulated Surplus		237 186 077	240 639 669
<b>Non-Current Liabilities</b>		<b>34 002 117</b>	<b>24 546 028</b>
Long-term Liabilities	2	4 526 353	4 827 075
Employee benefits	3	18 659 718	16 121 007
Non-Current Provisions	4	10 816 046	3 597 946
<b>Current Liabilities</b>		<b>96 135 932</b>	<b>57 476 086</b>
Consumer Deposits	5	196 467	181 016
Current Employee benefits	6	5 736 545	5 198 730
Provisions	7	9 996 880	5 558 276
Payables From Exchange Transactions	8	77 670 503	44 364 007
Unspent Conditional Government Grants and Receipts	9	1 138 074	910 217
Current Portion of Long-term Liabilities	2	1 397 463	1 263 840
<b>Total Net Assets and Liabilities</b>		<b>367 324 127</b>	<b>322 661 783</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>337 545 915</b>	<b>304 970 895</b>
Property, Plant and Equipment	11	319 881 183	293 756 008
Investment Property	12	9 982 000	9 982 000
Intangible Assets	13	478 830	548 607
Biological Assets	14	153 498	523 003
Capitalised Restoration Cost	15	6 905 717	2 183
Operating Lease Asset	20	144 687	159 094
<b>Current Assets</b>		<b>29 778 212</b>	<b>17 690 888</b>
Inventory	16	356 459	474 232
Trade Receivables from exchange transactions	17	5 805 909	5 309 066
Other Receivables from non-exchange transactions	18	933 236	587 033
Unpaid Conditional Government Grants and Receipts	9	3 157 376	-
Taxes	10	16 675 410	9 150 493
Cash and Cash Equivalents	21	2 849 822	2 170 064
<b>Total Assets</b>		<b>367 324 127</b>	<b>322 661 783</b>

**SIYANCUMA LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2016 (Actual) R	2015 (Restated) R	Correction of error R	2015 (Previously reported) R
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>		<b>96 653 408</b>	<b>105 611 460</b>	<b>-</b>	<b>105 611 460</b>
<b>Taxation Revenue</b>		<b>10 074 922</b>	<b>8 530 133</b>	<b>-</b>	<b>8 530 133</b>
Property taxes	22	10 074 922	8 530 133	-	8 530 133
<b>Transfer Revenue</b>		<b>84 805 321</b>	<b>85 007 015</b>	<b>-</b>	<b>85 007 015</b>
Government Grants and Subsidies - Capital	23	39 886 763	42 076 186	-	42 076 186
Government Grants and Subsidies - Operating	23	44 918 558	42 930 830	-	42 930 830
<b>Other Revenue</b>		<b>1 773 165</b>	<b>12 074 312</b>	<b>-</b>	<b>12 074 312</b>
Fines		864 901	2 966 438	-	2 966 438
Licences and Permits		863 967	986 091	-	986 091
Gain on disposal of PPE	11	43 096	369 300	-	369 300
Contributed PPE	24	-	7 655 245	-	7 655 245
Change in fair value of biological assets	14	1 200	97 238	-	97 238
<b>Revenue from Exchange Transactions</b>		<b>49 803 848</b>	<b>45 894 668</b>	<b>48</b>	<b>45 894 620</b>
Service Charges	25	44 800 071	43 297 954	-	43 297 954
Rental of Facilities and Equipment		271 385	266 146	48	266 098
Interest Earned - external investments		150 131	406 734	-	406 734
Interest Earned - outstanding debtors		820 413	682 138	-	682 138
Other Income	26	3 761 848	1 241 696	-	1 241 696
<b>Total Revenue</b>		<b>146 457 256</b>	<b>151 506 128</b>	<b>48</b>	<b>151 506 080</b>
<b>EXPENDITURE</b>					
Employee related costs	27	48 069 340	42 351 204	11 069	42 340 135
Remuneration of Councillors	28	3 739 661	3 626 256	-	3 626 256
Debt Impairment	29	7 150 916	36 009 999	-	36 009 999
Depreciation and Amortisation	11	15 849 938	12 160 905	(27 737)	12 188 642
Impairments	30	165 101	-	-	-
Repairs and Maintenance		2 677 134	2 184 943	-	2 184 943
Actuarial losses	3	1 066 241	2 012 816	-	2 012 816
Finance Charges	31	10 907 437	6 470 484	-	6 470 484
Bulk Purchases	32	35 251 114	33 295 845	-	33 295 845
Stock Adjustments	32	62 636	105 035	-	105 035
Other Operating Grant Expenditure	33	1 047 774	1 922 665	-	1 922 665
Loss on disposal of PPE	11	942 028	2 463 592	-	2 463 592
Loss on disposal of Biological assets	14	298 860	55 150	-	55 150
General Expenses	34	22 682 671	21 282 889	(11 069)	21 293 958
<b>Total Expenditure</b>		<b>149 910 851</b>	<b>163 941 783</b>	<b>(27 737)</b>	<b>163 969 520</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(3 453 596)</b>	<b>(12 435 655)</b>	<b>27 785</b>	<b>(12 463 440)</b>

**SIYANCUMA LOCAL MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016**

	<b>Notes</b>	<b>Accumulated Surplus/ (Deficit)</b>	<b>Total</b>
		<b>R</b>	<b>R</b>
<b>Balance at 1 July 2014</b>		<b>257 065 109</b>	<b>257 065 109</b>
Correction of error	35.06	-3 989 790	-3 989 790
<b>Restated Balance at 1 July 2014</b>		<b>253 075 320</b>	<b>253 075 320</b>
Net Surplus for the year		-12 463 440	-12 463 440
Correction of error	35.07	27 785	27 785
Rounding		4	4
<b>Restated Balance at 1 July 2015</b>		<b>240 639 669</b>	<b>240 639 669</b>
Net (Deficit) for the year		-3 453 596	-3 453 596
Rounding		4	4
<b>Balance at 30 June 2016</b>		<b>237 186 077</b>	<b>237 186 077</b>

**SIYANCUMA LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2016 R	2015 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		63 953 385	34 457 676
Government - operating		44 918 558	42 930 830
Government - capital		39 886 763	42 076 186
Interest		970 544	1 088 872
<b>Payments</b>			
Suppliers and employees		(102 379 901)	(80 485 960)
Finance charges		(10 907 437)	(6 470 484)
<b>Net Cash from Operating Activities</b>	<b>36</b>	<b>36 441 912</b>	<b>33 597 120</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	<b>11</b>	(34 349 979)	(38 724 904)
Proceeds on Disposal of Fixed Assets		409 615	3 667 970
Purchase of Intangible Assets	<b>13</b>	(59 298)	(24 929)
Proceeds on Disposal of Bioloical Assets	<b>14</b>	71 845	-
<b>Net Cash from Investing Activities</b>		<b>-33 927 817</b>	<b>(35 081 864)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans raised		-	-
Loans (repaid)		(1 849 793)	(5 822 947)
Increase/(Decrease) in Consumer Deposits		15 451	16 232
Rounding		4	2
<b>Net Cash from Financing Activities</b>		<b>(1 834 338)</b>	<b>-5 806 713</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>679 758</b>	<b>-7 291 457</b>
Cash and Cash Equivalents at the beginning of the year		2 170 064	9 461 521
Cash and Cash Equivalents at the end of the year	<b>37</b>	2 849 822	2 170 064
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>679 758</b>	<b>-7 291 457</b>



**SIYANCUMA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	1 303 336	1 300 000	3 336	
Call investment deposits	1 546 488	61 454	1 485 032	Unspent MIG money was placed on a call deposit account
Consumer debtors	22 481 319	42 754 186	(20 272 867)	Debtors was written off during the year
Other Receivables	4 090 611	4 916 800	(826 189)	Suspense accounts were cleared
Inventory	356 459	555 714	(199 255)	Less inventory were purchased than issued
<b>Total current assets</b>	<b>29 778 212</b>	<b>49 588 154</b>	<b>(19 809 943)</b>	
<b>Non current assets</b>				
Long-term receivables	144 687	-	144 687	It was not certain what the monetary value would be. Could not budget for long term receivables
Investment property	9 982 000	9 982 000	-	
Property, plant and equipment	326 786 900	352 711 382	(25 924 482)	Variance due to increase in depreciation and disposals not budgeted for
Biological Assets	153 498	480 915	(327 418)	Quantity of game decreased dramatically due to drought and sale of game
Intangible Assets	478 830	833 594	(154 764)	Saving on intangible asset expenditure
<b>Total non current assets</b>	<b>337 545 915</b>	<b>363 807 891</b>	<b>(26 261 976)</b>	
<b>TOTAL ASSETS</b>	<b>367 324 127</b>	<b>413 396 045</b>	<b>(46 071 919)</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowing	1 397 463	710 000	687 463	New finance leases taken up during the year
Consumer deposits	196 487	184 000	12 487	
Trade and other payables	78 808 577	8 578 923	70 229 654	Increased spending of consumption of services
Provisions and Employee Benefits	15 733 425	8 416 430	7 316 995	Provisions are done by an actuary at year end, could not accurately budget therefore
<b>Total current liabilities</b>	<b>96 135 932</b>	<b>17 889 353</b>	<b>78 246 579</b>	
<b>Non current liabilities</b>				
Borrowing	4 526 353	1 040 000	3 486 353	New finance leases taken up during the year
Provisions and Employee Benefits	29 475 754	23 185 211	6 290 553	Provisions are done by an actuary at year end, could not accurately budget therefore
<b>Total non current liabilities</b>	<b>34 002 117</b>	<b>24 225 211</b>	<b>9 776 906</b>	
<b>TOTAL LIABILITIES</b>	<b>130 138 049</b>	<b>42 114 564</b>	<b>88 023 485</b>	
<b>NET ASSETS</b>	<b>134 664 403</b>	<b>371 281 481</b>	<b>(236 617 079)</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	237 186 077	371 281 481	(134 095 405)	Various reasons as mentioned in budget comparison for Financial Performance
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>237 186 077</b>	<b>371 281 481</b>	<b>(134 095 405)</b>	

**SIYANCUMA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**  
**ADJUSTMENTS TO APPROVED BUDGET**

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Explanations for material adjustments
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	1 300 000	-	1 300 000	
Call investment deposits	61 454	-	61 454	
Consumer debtors	42 754 186	-	42 754 186	
Other Receivables	4 916 800	-	4 916 800	
Current portion of long-term receivables	-	-	-	
Inventory	555 714	-	555 714	
<b>Total current assets</b>	<b>49 588 154</b>	<b>-</b>	<b>49 588 154</b>	
<b>Non current assets</b>				
Long-term receivables	-	-	-	
Investments	-	-	-	
Investment property	9 982 000	-	9 982 000	
Property, plant and equipment	354 511 382	(1 800 000)	352 711 382	
Biological Assets	480 915	-	480 915	
Intangible Assets	633 594	-	633 594	
Heritage Assets	-	-	-	
<b>Total non current assets</b>	<b>365 607 891</b>	<b>(1 800 000)</b>	<b>363 807 891</b>	
<b>TOTAL ASSETS</b>	<b>415 196 045</b>	<b>(1 800 000)</b>	<b>413 396 045</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowing	710 000	-	710 000	
Consumer deposits	184 000	-	184 000	
Trade and other payables	8 578 923	-	8 578 923	
Provisions and Employee Benefits	8 416 430	-	8 416 430	
<b>Total current liabilities</b>	<b>17 889 353</b>	<b>-</b>	<b>17 889 353</b>	
<b>Non current liabilities</b>				
Borrowing	2 840 000	(1 800 000)	1 040 000	
Provisions and Employee Benefits	23 185 211	-	23 185 211	
<b>Total non current liabilities</b>	<b>26 025 211</b>	<b>(1 800 000)</b>	<b>24 225 211</b>	
<b>TOTAL LIABILITIES</b>	<b>43 914 564</b>	<b>(1 800 000)</b>	<b>42 114 564</b>	
<b>NET ASSETS</b>	<b>371 281 481</b>	<b>-</b>	<b>371 281 481</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	371 281 481	-	371 281 481	
Reserves	-	-	-	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>371 281 481</b>	<b>-</b>	<b>371 281 481</b>	

Provincial Treasury recommends that an amount of R 1 800 000 that was budgeted for vehicles should be omitted.  
The Municipality should secure financing first before budgeting for loans to purchase vehicles.

**SIYANCUMA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

REVENUE BY SOURCE	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
Property rates	10 074 922	10 425 750	(350 828)	
Service charges	44 800 071	53 429 454	(8 629 383)	Budgeted income not realised due to economic decline
Rental of facilities and equipment	271 385	346 550	(75 165)	Budgeted income not realised due to economic decline
Interest earned - external investments	150 131	90 000	60 131	Slow spending on grants resulted in grant funds being invested.
Interest earned - outstanding debtors	820 413	829 000	191 413	Debt control policy inadequately implemented
Fines	864 901	5 800 070	(4 935 169)	Camera fines debt control inadequately implemented.
Licences and permits	863 967	450 000	413 967	Incorrectly budgeted/increase in transactions
Agency services	-	711 068	(711 068)	
Government Grants and Subsidies - Operating	44 918 558	43 777 967	1 140 591	Grant allocation in revised Dora was more. Document received after adjustment budget
Other revenue	3 763 048	597 485	3 165 563	Change in landfill site provision and contributed PPE
Gains on disposal of PPE	43 096	-	43 096	
<b>Total Operating Revenue</b>	<b>106 570 493</b>	<b>116 257 344</b>	<b>(9 686 852)</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	48 069 340	44 419 637	3 649 702	Excessive overtime due to emergency maintenance
Remuneration of councillors	3 739 661	3 479 600	260 061	
Debt impairment	7 150 916	11 158 500	(4 007 584)	Council approved the write off of long outstanding debt of ~R30 million
Depreciation & asset impairment	15 849 938	14 306 917	1 543 021	
Finance charges	10 907 437	261 273	10 646 164	Interest on long outstanding/late payments on Creditors due to cash flow constraints
Bulk purchases	35 313 750	33 995 000	1 318 750	Increase in user demand
Other materials	-	-	-	
Contracted services	-	2 500 000	(2 500 000)	Inappropriately budgeted
Grants and subsidies paid	-	-	-	
Other expenditure	27 473 821	38 531 328	(11 057 506)	Due to Cash Flow constraints, expenditure was kept minimal
Loss on disposal of PPE	1 240 888	-	1 240 888	
<b>Total Operating Expenditure</b>	<b>149 745 750</b>	<b>148 652 254</b>	<b>1 093 496</b>	
<b>Operating Deficit for the year</b>	<b>(43 175 257)</b>	<b>(32 394 910)</b>	<b>(10 780 348)</b>	
Government Grants and Subsidies - Capital	39 866 763	24 197 000	15 689 763	Additional Capital Funding was allocated to the Municipality after the adjustment budget
<b>Net Deficit for the year</b>	<b>(3 288 494)</b>	<b>(8 197 910)</b>	<b>4 909 415</b>	

**SIYANCUMA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**  
**ADJUSTMENTS TO APPROVED BUDGET**

REVENUE BY SOURCE	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Reasons for material adjustments
Property rates	10 494 229	(68 479)	10 425 750	
Property rates - penalties & collection charges	-	-	-	The basic charge on pre-paid electricity was stopped by council. Service charges for water was adjusted accordingly to the half year figures which did not materialise
Service charges	70 654 297	(17 224 843)	53 429 454	
Rental of facilities and equipment	461 298	(114 748)	346 550	The approved budget was adjusted according to the half yearly figures which did not materialise
Interest earned - external investments	620 000	(530 000)	90 000	The approved budget was adjusted according to the half yearly figures which did not materialise
Interest earned - outstanding debtors	629 000	-	629 000	
Dividends received	-	-	-	
Fines	6 800 070	(1 000 000)	5 800 070	The approved budget was adjusted according to the half yearly figures which did not materialise
Licences and permits	450 000	-	450 000	
Agency services	758 320	(47 252)	711 068	
Government Grants and Subsidies - Operating	43 928 000	(150 033)	43 777 967	
Other revenue	437 707	158 778	597 485	The approved budget was adjusted according to the half yearly figures which did not materialise
Gains on disposal of PPE	-	-	-	
<b>Total Operating Revenue</b>	<b>135 232 921</b>	<b>(18 975 577)</b>	<b>116 257 344</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	54 543 370	(10 123 733)	44 419 637	The approved budget was adjusted according to the half yearly figures which did not materialise
Remuneration of councillors	3 161 398	318 202	3 479 600	Adjusted to the Government notice
Debt impairment	11 158 500	-	11 158 500	
Depreciation & asset impairment	14 306 917	0	14 306 917	
Finance charges	487 386	(206 093)	281 273	The approved budget was adjusted according to the half yearly figures which did not materialise
Bulk purchases	33 995 000	-	33 995 000	
Other materials	-	-	-	
Contracted services	1 800 000	700 000	2 500 000	Inappropriately budgeted
Grants and subsidies paid	12 942 256	(12 942 256)	-	Reallocation
Other expenditure	33 679 924	4 851 402	38 531 326	The approved budget was adjusted according to the half yearly figures which did not materialise
Loss on disposal of PPE	-	-	-	
<b>Total Operating Expenditure</b>	<b>166 054 731</b>	<b>-17 402 477</b>	<b>148 652 254</b>	
<b>Operating Deficit for the year</b>	<b>(30 821 810)</b>	<b>(1 573 100)</b>	<b>(32 394 910)</b>	
Government Grants and Subsidies - Capital	32 904 808	(8 707 808)	24 197 000	
<b>Net Surplus/(Deficit) for the year</b>	<b>2 082 998</b>	<b>(10 280 908)</b>	<b>(8 197 910)</b>	

**SIYANCUMA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts				
Ratepayers and other	63 953 385	78 789 573	(14 836 188)	Low collection rate
Government - operating	44 918 558	35 400 744	9 517 814	Additional funds received from NT
Government - capital	39 886 763	23 587 000	16 299 763	Additional funds received from NT
Interest	970 544	719 000	251 544	Slow spending of grants resulted in money being invested
Dividends	-	-	-	
Payments				
Suppliers and Employees	(102 379 901)	(115 437 360)	13 057 459	Low cash flow, limited expenditure
Finance charges	(10 907 437)	(413 676)	(10 493 761)	Interest increased due to outstanding creditors
Transfers and Grants	-	(18 083 023)	18 083 023	Grant expenditure journalised to PPE
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>36 441 912</b>	<b>4 562 258</b>	<b>31 879 654</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts				
Proceeds on disposal of Assets	481 480	-	481 460	
Decrease/(increase) in non-current receivables	-	22 000 000	(22 000 000)	Inefficient debt collection
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(34 409 277)	(25 821 000)	(8 588 277)	Additional funding received from NT resulted in increased expenditure
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>-33 927 817</b>	<b>(3 821 000)</b>	<b>-30 106 817</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts				
Borrowing	-	2 700 000	(2 700 000)	Anticipated to take up a new loan, not raised
Increase/(decrease) in consumer deposits	15 451	19 216	(3 765)	
Payments				
Repayment of borrowing	(1 849 793)	(900 000)	(949 793)	New finance lease raised resulted in increased repayment of borrowing
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-1 834 342</b>	<b>1 819 216</b>	<b>-3 653 558</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>679 753</b>	<b>2 560 474</b>	<b>-1 880 721</b>	
Cash and Cash Equivalents at the beginning of the year	2 170 064	2 167 931	2 133	
Cash and Cash Equivalents at the end of the year	(2 849 822)	4 728 405	(7 578 227)	

**SIYANCUMA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**  
**ADJUSTMENTS TO APPROVED BUDGET**

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Reasons for material adjustments
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	78 175 630	613 943	78 789 573	Budgeted wrong
Government - operating	43 280 000	(7 879 256)	35 400 744	Wrongfully recognised all capital assets instead of only capital assets financed by conditional grants
Government - capital	32 294 808	(8 707 808)	23 587 000	Amount adjusted due to mid year actuals
Interest	1 249 000	(530 000)	719 000	
Dividends	-	-	-	
<b>Payments</b>				
Suppliers and Employees	(115 437 360)	-	(115 437 360)	
Finance charges	(413 676)	-	(413 676)	
Transfers and Grants	(18 083 023)	-	(18 083 023)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>21 065 379</b>	<b>-16 503 121</b>	<b>4 562 258</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	22 000 000	-	22 000 000	
Decrease/(increase) in non-current investments	-	-	-	
<b>Payments</b>				
Capital assets	(35 718 808)	9 897 808	(25 821 000)	Wrongfully recognised all capital assets instead of only capital assets financed by conditional grants
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(13 718 808)</b>	<b>9 897 808</b>	<b>(3 821 000)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	4 500 000	(1 800 000)	2 700 000	Funding for new vehicles was omitted as per recommendation by PT
Increase/(decrease) in consumer deposits	19 216	-	19 216	
<b>Payments</b>				
Repayment of borrowing	(900 000)	-	(900 000)	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>3 619 216</b>	<b>(1 800 000)</b>	<b>1 819 216</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>10 965 787</b>	<b>(8 405 313)</b>	<b>2 560 474</b>	
Cash and Cash Equivalents at the beginning of the year	9 866 421	(7 698 490)	2 167 931	
Cash and Cash Equivalents at the end of the year	20 832 208	(16 103 803)	4 728 405	

## **SIYANCUMA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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#### **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

##### **1.1. BASIS OF PREPARATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

##### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

##### **1.3. GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5 AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

**1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

**1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2015 to 30 June 2016. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements..

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.



**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2015/16 financial year.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 20</b> <b>(Original – June 2011)</b>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 32</b> <b>(Original – Aug 2013)</b>	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>
<b>GRAP 108</b> <b>(Original – Sept 2013)</b>	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<b>Unknown</b>
<b>IGRAP 11</b>	<p><b>Consolidation - Special Purpose Entities (SPE)</b></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<b>1 April 2015</b>

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

IGRAP 12	<p><b>Jointly Controlled Entities non-monetary contributions</b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	1 April 2015
IGRAP 17	<p><b>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</b></p> <p>The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality does not have any Concession Arrangements at this stage.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## **1.9. LEASES**

### **1.9.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

## **SIYANCUMA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### **1.9.2 Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

#### **1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

**1.12. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.13. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

## SIYANCUMA MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

#### 1.14. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

##### 1.14.1 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at

## *SIYANCUMA MUNICIPALITY*

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.14.2 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.14.3 Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### **1.14.4 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### **1.14.5 Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

#### **1.14.6 Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all

## SIYANCUMA MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### **1.14.7 Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

#### **1.15. PROPERTY, PLANT AND EQUIPMENT**

##### **1.15.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

## SIYANCUMA MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.15.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### **1.15.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

<u>Infrastructure</u>	<u>Years</u>	<u>Other</u>	<u>Years</u>
Road network	4-50	Air Conditioners	3-13
Stormwater network	4-64	Chairs	3-10
Electricity network	4-50	Electronic equipment	3-8
Water network	4-100	Motor Vehicles	4-10
Sanitation network	2-100	Furniture and fittings	3-29
		Office Equipment	2-4
		Trailers	2-8
<u>Community</u>		Tables and Desks	3-20
Recreational Facilities	23-93	Tractors	3-7
Cemeteries	93	Trucks	2-13
Halls	48-93	Works Equipment	2-8
Libraries	26-93	Computer Hardware	2-8
		Landfill sites	1-6
<u>Leased Assets</u>			
Office equipment	4.5-5		



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.15.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.16. INTANGIBLE ASSETS**

**1.16.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and

## SIYANCUMA MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### **1.16.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **1.16.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	2-9

#### **1.16.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.17. INVESTMENT PROPERTY**

#### **1.17.1 Initial Recognition**

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### **1.17.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### **1.17.3 Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

#### **1.17.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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**1.18 HERITAGE ASSETS**

**1.18.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

**1.18.2 Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

**1.18.3 Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.18.4 De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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**1.19 BIOLOGICAL ASSETS**

**1.19.1 Initial Recognition**

A biological asset or agricultural produce is recognised when, and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;
- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell.

**1.19.2 Subsequent Measurement**

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry at hunting prices. Game is considered to be consumable/bearer biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance for the period in which it arises.

**1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.20.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

## SIYANCUMA MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### (b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **1.20.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential

## SIYANCUMA MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### **1.21. INVENTORIES**

##### **1.21.1 Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

##### **1.21.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

## **1.22. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

### **1.22.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

### **1.22.2 Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### **1.22.2.1 Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### 1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### 1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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1.22.2.4 Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22.3 **De-recognition of Financial Instruments**

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.22.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

#### **1.23. REVENUE**

##### **1.23.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.23.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration

## SIYANCUMA MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### 1.24. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.

## *SIYANCUMA MUNICIPALITY*

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

- 
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**1.25. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.26. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.27. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

**1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

**1.29.1 *Post-retirement medical obligations and Long service awards***

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

**1.29.2 *Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

**1.29.3 *Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

**1.29.4 *Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

## **SIYANCUMA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

#### **1.29.5 Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

#### **1.29.6 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### **1.29.7 Revenue Recognition**

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **1.29.8 Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

**1.29.9 Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

**1.29.10 Provision for Performance bonuses**

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

**1.29.11 Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days worth of unused electricity.

**1.29.12 Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

**1.30. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.31. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**1.32. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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## LONG TERM LIABILITIES

Annuity Loans - At amortised cost  
Capitalised Lease Liability - At amortised cost

**Less:** Current Portion transferred to Current Liabilities  
Annuity Loans - At amortised cost  
Capitalised Lease Liability - At amortised cost

**Total Long-term Liabilities - At amortised cost using the effective interest rate method**

2016 R	2015 R
680 539	1 520 520
5 243 277	4 570 394
<b>5 923 816</b>	<b>6 090 915</b>
<b>1 397 463</b>	<b>1 263 840</b>
<b>604 030</b>	<b>838 982</b>
<b>793 433</b>	<b>423 858</b>
<b>4 526 363</b>	<b>4 827 075</b>

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year  
Payable within two to five years  
Payable after five years

**Less:** Future finance obligations  
**Present value of annuity obligations**

2016 R	2015 R
Minimum annuity payments	
639 063	957 513
77 612	716 675
-	-
<b>716 675</b>	<b>1 674 188</b>
<b>(36 137)</b>	<b>(153 668)</b>
<b>680 538</b>	<b>1 520 520</b>

Annuity loans at amortised cost is calculated at 10%-16.05% interest rate, with maturity date of 1 September 2017. The loan from DBSA was repaid during the financial year. The other loans are secured as follows:

Description of assets:	Effective Interest		Maturity Date		
NISSAN NP200 CDR 062 NC	10.50	Secured	2016-11-01	11 391	36 785
NISSAN NP200 CDN 916 NC	10.50	Secured	2016-10-01	9 139	34 715
NISSAN HARDBODY NP300 CDP 880 NC	10.50	Secured	2016-11-01	16 066	51 944
HYUNDAI H100 CDP 690 NC	10.50	Secured	2016-10-01	17 068	64 832
JOHN DEERE CFR 787 NC (017)	10.50	Secured	2017-07-01	69 059	126 200
TATA TIPPER CFZ 066 NC (019)	10.50	Secured	2017-09-01	189 389	324 750
NISSAN HARDBODY NP300 CDP 876 NC (012)	10.00	Secured	2016-11-01	23 503	75 894
NISSAN TIIDA CDP 877 NC	10.50	Secured	2016-11-01	18 595	60 043
QUANTUM CDP 884 NC	10.50	Secured	2016-11-01	34 436	111 197
NISSAN HARDBODY CDZ032 NC	10.50	Secured	2016-12-01	19 189	54 679
NISSAN HARDBODY CDT 116 NC	10.50	Secured	2016-12-01	19 228	54 788
NISSAN HARDBODY CDT 114 NC	10.50	Secured	2016-12-01	19 228	54 788
NISSAN HARDBODY CDP 879 NC	10.50	Secured	2012-11-01	16 072	51 899
TOYOTA HILUX CDK 987 NC	10.50	Secured	2016-09-02	10 770	51 136
TATA HONEY SUCKER CFZ 858 NC (018)	10.00	Secured	2017-08-01	207 384	366 870
				<b>680 539</b>	<b>1 520 520</b>

The depreciation and the finance charge relating to the secured asset was included as part of the total depreciation and finance charges respectively. Please refer to note 11 and note 31

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year  
Payable within two to five years  
Payable after five years

**Less:** Future finance obligations  
**Present value of lease obligations**

2016 R	2015 R
Minimum lease payments	
2 639 118	2 342 262
7 192 025	8 265 125
-	-
<b>9 831 143</b>	<b>10 607 388</b>
<b>(4 587 866)</b>	<b>(6 036 993)</b>
<b>5 243 277</b>	<b>4 570 394</b>

Finance lease agreement is calculated at an interest rate of 9%-59%. With a last maturity date of 31 January 2021.

Refer to note 11 for the finance lease assets capitalised.

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

For each class of finance lease liability, the net carrying amount at the reporting date:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

LONG TERM LIABILITIES (CONTINUE)

Description of leased item	Effective Interest	Lease Term	Maturity Date	2016 R	2015 R
Various (R150100)	9 to 59%	5	2019-12-31	3 160 051	3 977 953
Various (R2200)	48.0%	5	2020-01-31	51 293	55 704
Various (R18918)	41.0%	5	2020-03-31	490 871	536 737
PABX (R16700)	19.5%	5	2020-09-30	657 245	-
CCTV Cameras (R24000)	25.4%	5	2021-01-31	863 817	-
				<u>5 243 277</u>	<u>4 570 394</u>

The depreciation and the finance charge relating to the leased asset was included as part of the total depreciation and finance charges respectively. Please refer to note 11 and note 31

3

EMPLOYEE BENEFITS

Post Retirement Benefits	3.1	16 653 861	14 252 444
Long Service Awards	3.2	2 005 857	1 868 563
<b>Total Non-current Employee Benefit Liabilities</b>		<u><b>18 659 718</b></u>	<u><b>16 121 007</b></u>

Post Retirement Benefits

Balance 1 July		14 734 652	11 916 035
Contribution for the year		(439 319)	(412 763)
Expenditure for the year		1 852 084	1 439 857
Actuarial Loss/(Gain)		1 031 360	1 791 523
<b>Total post retirement benefits 30 June</b>		<u><b>17 178 777</b></u>	<u><b>14 734 652</b></u>

**Less:** Transfer of Current Portion

6 (524 916) (482 208)

**Balance 30 June**

**16 653 861** **14 252 444**

Long Service Awards

Balance 1 July		2 066 958	1 687 906
Contribution for the year		(221 206)	(319 539)
Expenditure for the year		322 689	277 398
Actuarial Loss		34 881	221 293
<b>Total long service 30 June</b>		<u><b>2 203 322</b></u>	<u><b>2 066 958</b></u>

**Less:** Transfer of Current Portion

6 (197 465) (198 395)

**Balance 30 June**

**2 005 857** **1 868 563**

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July		16 801 610	13 803 841
Contribution for the year		(660 525)	(732 302)
Expenditure for the year		2 174 773	1 717 255
Actuarial Loss/(Gain)		1 066 241	2 012 816
<b>Total employee benefits 30 June</b>		<u><b>19 382 099</b></u>	<u><b>16 801 510</b></u>

**Less:** Transfer of Current Portion

6 (722 381) (680 603)

**Balance 30 June**

**18 659 718** **16 121 007**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## 3 EMPLOYEE BENEFITS (CONTINUE)

## 3.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members  
Continuation members (e.g. Retirees, widows, orphans)

**Total Members**

2016 Number of members	2015 Number of members
65	51
13	13
<b>78</b>	<b>64</b>
<b>R</b>	<b>R</b>

The liability in respect of past service has been estimated to be as follows:

In-service members  
Continuation members

**Total Liability**

10 606 796	9 097 705
6 571 981	5 636 947
<b>17 178 777</b>	<b>14 734 652</b>

	2014 R
In-service members	6 782 659
Continuation members	5 133 376
<b>Total Liability</b>	<b>11 916 035</b>

2013 R	2012 R
4 969 926	4 395 389
5 297 004	4 496 741
<b>10 266 930</b>	<b>8 892 129</b>
<b>2016 R</b>	<b>2015 R</b>

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss  
Assets: Gain / (loss)

1.386	1.843
-	-

The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:

	2014 Rm	2013 Rm	2012 Rm
Liabilities: (Gain) / loss	0.455	0.822	(1.008)
Assets: Gain / (loss)	-	-	-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas	Keyhealth	Samwumed
LA Health	Hosmed	

The Municipality's Accrued Unfunded Liability at 30 June 2016 is estimated at R17.179 million. The Current-service Cost for the year ending 30 June 2016 is estimated at R587 277. It is estimated to be R766 609 for the ensuing year.

Key actuarial assumptions used:

i) **Rate of Interest**

Discount rate  
Health Care Cost Inflation Rate  
Net Effective Discount Rate

2016 %	2015 %
9.05%	8.72%
8.15%	7.95%
0.83%	7.20%

ii) **Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) **Normal retirement age**

It has been assumed that in-service members will retire at ages 65 (male) and 60 (female), which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

**Net liability/(asset)**

2016 R	2015 R
17 178 777	14 734 652
<b>17 178 777</b>	<b>14 734 652</b>

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3

## EMPLOYEE BENEFITS (CONTINUE)

## Reconciliation of present value of fund obligation:

	2016 R	2015 R
Present value of fund obligation at the beginning of the year	14 734 652	11 916 035
Total expenses	1 412 765	1 027 094
Current service cost	587 277	399 706
Interest Cost	1 264 807	1 040 151
Benefits Paid	(439 319)	(412 763)
Actuarial (gains)/losses	1 031 360	1 791 523
Present value of fund obligation at the end of the year	17 178 777	14 734 652
<b>Less:</b> Transfer of Current Portion	6 (524 916)	(482 208)
<b>Balance 30 June</b>	<b>16 653 861</b>	<b>14 252 444</b>

## Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
<b>Central Assumptions</b>		10.807	6.572	17.179	
Health care inflation	1%	12.966	7.183	20.149	17%
Health care inflation	-1%	8.749	6.036	14.785	-14%
Discount Rate	1%	8.777	6.045	14.821	-14%
Discount Rate	-1%	12.969	7.184	20.154	17%
Post-retirement mortality	-1 year	10.991	6.853	17.844	4%
Average retirement age	-1 year	11.442	6.572	18.014	5%
Continuation of membership at retirement	-10%	9.533	6.572	16.105	-8%

## Sensitivity Analysis on the Current Service Cost and Interest Costs

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
<b>Central Assumption</b>		766 600	1 530 900	2 297 500	
Health care inflation	1%	946 500	1 799 600	2 746 100	20%
Health care inflation	-1%	626 500	1 314 300	1 940 800	-16%
Discount Rate	1%	634 400	1 463 300	2 097 700	-9%
Discount Rate	-1%	938 100	1 601 000	2 539 100	11%
Post-retirement mortality	-1 year	793 600	1 591 000	2 384 600	4%
Average retirement age	-1 year	815 200	1 606 500	2 421 700	5%
Continuation of membership at retirement	-10%	693 100	1 433 700	2 126 800	-7%

## 3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 154 employees were eligible for Long Service Bonuses.

The Current-service Cost for the year ending 30 June 2016 is R166 666. The Current-service Cost for the ensuing year has been estimated to be R172 067.

Key actuarial assumptions used:

## i) Rate of interest

	2016 %	2015 %
Discount rate	8.56%	7.92%
General Salary Inflation (long-term)	7.22%	7.06%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.25%	0.81%

Experience adjustments were calculated as follows:

	2016 R	2015 R
Liabilities: (Gain) / loss	87 372	116 895
Assets: Gain / (loss)	-	-

The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:

	2014 R	2013 R	2012 R
Liabilities: (Gain) / loss	135 870	256 695	104 190
Assets: Gain / (loss)	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3

EMPLOYEE BENEFITS (CONTINUE)

2016

2015

R

R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

Net liability/(asset)

2 203 322

2 066 958

2 203 322

2 066 958

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

2014

2013

2012

R

R

R

1 867 806

1 798 038

1 421 424

Total Liability

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year

Total expenses

Current service cost

Interest Cost

Benefits Paid

Actuarial (gains)/losses

Present value of fund obligation at the end of the year

Less: Transfer of Current Portion

Balance as at 30 June

2 066 958

101 483

166 666

156 023

(221 206)

34 881

2 203 322

(197 465)

2 005 857

1 868 563

6

2016

2015

R

R

3

EMPLOYEE BENEFITS (CONTINUE)

2016

2015

R

R

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption

Change

Liability (Rm)

% change

Central assumptions

General salary inflation

General salary inflation

Discount Rate

Discount Rate

Average retirement age

Average retirement age

Withdrawal rates

2 203

2 354

2 067

2 062

2 362

1 956

2 529

2 521

7%

-6%

-6%

7%

-11%

15%

14%

2016

2015

R

R

3.3

Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in an sound financial position with a funding level of 153.1% (30 June 2014 - 101.7%).

Contributions paid recognised in the Statement of Financial Performance

1 237 480

850 197

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3	<b>EMPLOYEE BENEFITS (CONTINUE)</b>	<b>2016</b>	<b>2015</b>
		<b>R</b>	<b>R</b>
	<b><u>IMATU PENSION FUND</u></b>		
	The contribution rate payable is 9% by members and 18% by Council. The contribution rate paid by the members is sufficient to fund the benefits accruing from the fund in the future		
	Contributions paid recognised in the Statement of Financial Performance	385 372	307 947
	<b><u>SALA PENSION FUND</u></b>		
	The contribution rate paid by the members is sufficient to fund the benefits accruing from the fund in the future		
	Contributions paid recognised in the Statement of Financial Performance	2 044 715	1 898 825
	<b><u>SAMWU PROVIDENT FUND</u></b>		
	The contribution rate paid by the members is sufficient to fund the benefits accruing from the fund in the future		
	Contributions paid recognised in the Statement of Financial Performance	862 454	721 453
4	<b>NON-CURRENT PROVISIONS</b>	<b>2016</b>	<b>2015</b>
		<b>R</b>	<b>R</b>
	Provision for Rehabilitation of Landfill-sites	10 816 046	3 597 946
	<b>Total Non-current Provisions</b>	<b>10 816 046</b>	<b>3 597 946</b>
	<b><u>Landfill Sites</u></b>		
	Balance 1 July	9 156 223	5 822 080
	Increase in Estimate	11 114 710	3 029 122
	Unwinding of discounted interest	541 993	305 021
	<b>Total provision 30 June</b>	<b>20 812 926</b>	<b>9 156 223</b>
	<b>Less:</b> Transfer of Current Portion to Current Provisions	7 (9 996 880)	(5 558 276)
	<b>Balance 30 June</b>	<b>10 816 046</b>	<b>3 597 946</b>
	The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:		
	<b><u>Location</u></b>	<b><u>Estimated decommission date</u></b>	<b><u>Cost of rehabilitation</u></b>
			<b>2016</b>
			<b>R</b>
	Douglas	2021	10 816 046
	Griekwastad	2016	7 185 425
	Campbell	2016	2 811 456
			<b>20 812 926</b>
			<b>9 156 223</b>
	<b><u>Material Assumptions used</u></b>		
	Area of landfill site consumed	<b>2014</b>	<b>2015</b>
			<b>2016</b>
	Douglas	69.32%	1.78%
	Griekwastad	70.22%	9.74%
	Campbell	79.96%	100.00%
	Discount Rate used		5.24%
			5.92%
	The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.		
5	<b>CONSUMER DEPOSITS</b>	<b>2016</b>	<b>2015</b>
		<b>R</b>	<b>R</b>
	Water & Electricity	196 467	181 016
	<b>Total Consumer Deposits</b>	<b>196 467</b>	<b>181 016</b>
	The fair value of consumer deposits approximate their carrying value. No discounting of consumer deposits is being performed due to the uncertainty of the timing of future repayments. Interest is not paid on these amounts.		

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

6		2016 R	2015 R
	<b>CURRENT EMPLOYEE BENEFITS</b>		
	Current Portion of Post Retirement Benefits	3 524 916	482 208
	Current Portion of Long-Service Awards	3 197 465	198 395
	Bonuses	1 088 684	971 329
	Staff Leave	3 925 480	3 546 797
	<b>Total Current Employee Benefits</b>	<b>5 736 545</b>	<b>5 198 730</b>

The movement in current employee benefits are reconciled as follows:

**Bonuses**

Balance at beginning of year	971 329	885 833
Contribution to current portion	1 883 170	1 792 379
Expenditure incurred	-1 765 815	-1 706 883
Balance at end of year	<b>1 088 684</b>	<b>971 329</b>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle, that will only be paid out in the following year, November. There is no possibility of reimbursement

**Staff Leave**

Balance at beginning of year	3 546 797	3 396 672
Contribution to current portion	531 259	427 025
Expenditure incurred	-152 577	-276 899
Balance at end of year	<b>3 925 480</b>	<b>3 546 797</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

7		2016 R	2015 R
	<b>PROVISIONS</b>		
	Current Portion of Rehabilitation of Landfill-sites	4 9 996 880	5 558 276
	<b>Total Provisions</b>	<b>9 996 880</b>	<b>5 558 276</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

8

**PAYABLES FROM EXCHANGE TRANSACTIONS**

	2016 R	2015 R
Trade Payables	72 645 452	40 074 326
Balance previously reported		40 069 037
Correction of Intangible Assets against Payables from Exchange Transactions - Trade Payables (Intangibles not recognised in 2014/15)	35.05 -	4 640
Correction of Intangible Assets against Payables from Exchange Transactions - Trade Payables (Intangibles not recognised in 2014/15 - VAT portion)	35.05 -	650
Receivables with credit balances	457 694	324 938
Sundry Payables	4 567 357	3 984 743
Balance previously reported		3 031 666
Correction of Cash and cash equivalents against Payables from Exchange Transactions - Sundry Payables (Reversal of Stale cheques 11100957 cancelled as stale)	35.05 -	2 085
Correction of Property, Plant and Equipment against Payables from Exchange Transactions - Sundry Payables (Capturing of retention fees Project 457 Stands)	35.05 -	930 992
<b>Total Trade Payables</b>	<b>77 670 503</b>	<b>44 364 007</b>

No payables are secured.

Payables are being recognised net of any discounts.

Payables are not all being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## 9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

## Unspent Grants

National and Provincial Government Grants  
Other Sources

**Less:** Unpaid Grants

National and Provincial Government Grants  
Other Sources

**Total Conditional Grants and Receipts**

2016 R	2015 R
1 138 074	910 217
1 138 074	910 217
-	-
3 157 376	-
3 157 376	-
-	-
<b>(2 019 302)</b>	<b>910 217</b>

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Library Project

Provincial Department - Library maintenance and Expenses

Financial Management Grant

National Treasury - Financial Management

Municipal Systems Improvement Grant

National Treasury - Municipal System Improvement

Municipal Infrastructure Grant

National Treasury - Municipal Infrastructure Improvement

Douglas Oxidation Ponds

Provincial Department - Infrastructure development

LG Seta

National Treasury - Personnel Training

Expanded Public Works Programme

Provincial Department - Road Maintenance

Department of Minerals & Energy

Provincial Department - Infrastructure development

Griekwastad 457

Provincial Department - Infrastructure development

RBIG

Provincial Department - Infrastructure development

## 10 VAT PAYABLE FROM EXCHANGE-TRANSACTIONS

VAT Payable  
VAT Receivable  
Balance previously reported  
Correction of Intangible Assets against Payables from Exchange Transactions - Trade Payables  
(Intangibles not recognised in 2014/15 - VAT portion)  
VAT Impairment contribution

2016 R	2015 R
14 851 231	11 651 337
(26 548 687)	(16 535 391)
-	(16 534 741)
35 01	(650)
(4 977 954)	(4 266 439)
<b>(16 675 410)</b>	<b>(8 150 493)</b>

VAT is payable/receivable on the cash basis.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value		Cost		Accumulated Depreciation		Disposals		Closing Balance		Carrying Value	
Opening Balance	Additions	Work-in-progress		Depreciation Charge	Impairment Charge						
R	R			R	R	R	R	R	R	R	R
<b>30 June 2016</b>											
<b>Land and Buildings</b>											
39 974 763	-	-	-	39 974 763	861 085	-	-	1 100 489	-	38 874 274	-
27 029 852	-	-	-	27 029 852	-	-	-	-	-	27 029 852	-
12 944 911	-	-	-	12 944 911	861 085	-	-	1 100 489	-	11 844 422	-
343 727 631	34 275 153	-	-1 809 095	375 193 689	124 006 976	-	-884 523	129 265 769	-	245 927 920	-
<b>Infrastructure</b>											
58 382 765	7 007 890	24 084 611	-	89 475 266	36 474 023	-	-	37 985 193	-	51 490 073	-
83 462 252	3 508 614	-	-	86 970 866	29 264 776	-	-	30 852 564	-	56 118 302	-
52 618 219	4 095 085	584 269	-1 686 549	55 611 025	18 561 581	-	-786 934	18 848 651	-	36 762 374	-
93 333 238	42 079	-	-122 546	93 252 770	36 972 523	-	-97 690	40 825 528	-	52 427 242	-
1 333 315	2 214 357	9 355 300	-	12 902 972	734 073	-	-	753 833	-	12 149 139	-
54 587 843	17 407 127	-34 024 180	-	37 960 780	-	-	-	-	-	37 960 780	-
23 520 517	-	-	-	23 520 517	1 015 946	-	-	1 143 585	-	22 376 931	-
<b>Community Assets</b>											
364 394	-	-	-	364 394	24 032	-	-	4 905	-	335 457	-
176 000	-	-	-	176 000	14 034	-	-	1 742	-	150 224	-
5 374 000	-	-	-	5 374 000	-	-	-	-	-	5 374 000	-
1 259 123	-	-	-	1 259 123	99 440	-	-	12 712	-	1 146 970	-
8 171 000	-	-	-	8 171 000	-	-	-	-	-	8 171 000	-
6 940 000	-	-	-	6 940 000	553 398	-	-	68 673	-	6 317 929	-
1 236 000	-	-	-	1 236 000	325 042	-	-	39 607	-	871 351	-
4 290 154	1 476 048	-	-457 000	5 309 202	397 384	-	-90 482	1 283 582	-	4 025 620	-
<b>Lease Assets</b>											
4 290 154	1 476 048	-	-457 000	5 309 202	397 384	-	-90 482	1 283 582	-	4 025 620	-
<b>Office Equipment</b>											
12 569 575	281 473	-	-16 522	12 834 525	4 045 241	-	-6 292	5 158 088	-	7 676 438	-
<b>Other Assets</b>											
523 366	-	-	-	523 366	294 488	-	-	30 961	-	197 917	-
319 065	-	-	-	319 065	152 215	-	-	28 249	-	138 801	-
625 832	115 500	-	-5 470	735 862	248 480	-	-2 561	352 373	-	383 489	-
817 481	-	-	-	817 481	222 890	-	-	58 571	-	536 020	-
678 572	60 986	-	-	739 557	341 554	-	-	50 612	-	347 391	-
9 298	-	-	-1 000	8 298	7 737	-	-952	7 296	-	1 002	-
189 746	-	-	-	189 746	132 364	-	-	144 903	-	44 763	-
206 136	-	-	-	206 136	107 824	-	-	120 136	-	85 000	-
211 000	-	-	-	211 000	81 451	-	-	9 911	-	119 638	-
6 975 992	-	-	-	6 975 992	1 608 357	-	-	486 585	-	4 881 050	-
511 370	-	-	-	511 370	216 502	-	-	58 463	-	236 405	-
1 501 717	104 988	-	-10 052	1 596 652	631 381	-	-2 778	892 491	-	704 162	-
424 082 639	36 032 674	-	-2 282 617	457 832 696	130 326 632	-	-81 297	137 951 513	-	319 881 183	-

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

30 June 2015

	Opening Balance R	Additions R	Cost Work-in- progress	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Accumulated Depreciation Impairment Charge R	Disposals R	Closing Balance R	Carrying Value R
<b>Land and Buildings</b>	39 972 159	16 091	-	-13 487	39 974 763	742 290	118 795	-	-	861 085	39 113 678
Land	27 043 339	-	-	-13 487	27 029 852	-	-	-	-	-	27 029 852
Balance previously reported	28 324 439	-	-	-13 487	28 310 952	-	-	-	-	-	28 310 952
Correction of error - Note	-1 281 100	-	-	-	-1 281 100	-	-	-	-	-	-1 281 100
<b>Buildings</b>	12 834 808	16 091	94 012	-	12 944 911	742 290	118 795	-	-	861 085	12 083 826
Balance previously reported	15 732 808	16 091	94 012	-	15 842 911	981 600	147 611	-	-	1 079 211	14 763 700
Correction of error - Note	-2 898 000	-	-	-	-2 898 000	-189 310	-28 816	-	-	-218 126	-2 679 874
<b>Work-in-Progress</b>	94 012	-	-94 012	-	-	-	-	-	-	-	-
<b>Infrastructure</b>	304 637 557	46 107 041	0	-7 016 968	343 727 631	123 010 946	5 649 295	-	-4 653 255	124 006 976	219 720 655
Road Network	58 382 765	-	-	-	58 382 765	34 952 612	1 521 410	-	-	36 474 023	21 908 742
Sanitation Network	64 941 963	15 322 207	6 025 068	-2 826 985	83 482 252	29 704 956	1 291 581	-	-1 731 762	29 264 776	54 197 476
Balance previously reported	64 941 963	14 474 756	5 845 416	-2 826 985	82 435 150	29 704 956	1 293 345	-	-1 731 762	29 266 540	53 168 611
Correction of error - Note	-	847 450	179 651	-	1 027 101	-	-1 764	-	-	-1 764	1 028 865
Electricity Network	49 229 087	2 130 346	1 396 659	-137 874	52 618 219	17 587 923	1 054 842	-	-81 184	18 561 581	34 056 638
Water Network	83 856 435	8 016 704	1 842 002	-381 904	93 333 238	37 410 326	1 761 701	-	-199 503	38 972 523	54 360 714
Balance previously reported	83 856 435	7 933 162	2 021 653	-381 904	93 429 347	37 410 326	1 758 980	-	-199 503	38 969 803	54 459 544
Correction of error - Note	-	83 542	-179 651	-	-96 109	-	2 721	-	-	2 721	-98 830
Stormwater Network	5 003 520	-	-	-3 670 205	1 333 315	3 355 129	19 760	-	-2 640 815	734 073	599 242
Work-in-Progress	43 223 788	20 637 785	-8 263 729	-	54 597 843	-	-	-	-	-	54 597 843
<b>Community Assets</b>	23 520 517	-	-	-	23 520 517	888 307	127 639	-	-	1 015 946	22 504 570
Libraries	300 100	-	64 294	-	364 394	19 127	4 905	-	-	24 032	340 362
Cemetery	176 000	-	-	-	176 000	12 293	1 742	-	-	14 034	161 966
Commonage	5 374 000	-	-	-	5 374 000	-	-	-	-	-	5 374 000
Community Halls	1 259 123	-	-	-	1 259 123	86 728	12 712	-	-	99 440	1 159 683
Game Farm	8 171 000	-	-	-	8 171 000	-	-	-	-	-	8 171 000
Holiday Resort	6 940 000	-	-	-	6 940 000	484 725	68 673	-	-	553 398	6 386 602
Sport Facilities	1 236 000	-	-	-	1 236 000	285 435	39 607	-	-	325 042	910 958
Work-in-Progress	64 294	-	-64 294	-	-	-	-	-	-	-	-
<b>Lease Assets</b>	5 698 799	4 290 154	-	-5 698 799	4 290 154	1 826 520	1 091 615	-	-2 520 751	397 384	3 892 770
Office Equipment	5 698 799	4 290 154	-	-5 698 799	4 290 154	1 826 520	1 091 615	-	-2 520 751	397 384	3 892 770
<b>Other Assets</b>	11 205 181	1 798 630	-	-424 237	12 569 575	3 314 113	948 342	-	-217 213	4 045 241	9 524 334
Air Conditioner	530 946	29 538	-	-37 118	523 366	287 342	32 311	-	-25 165	294 488	228 878
Chairs	260 261	58 794	-	-	319 065	125 690	26 525	-	-	152 215	166 850
Electronic Equipment	629 530	32 303	-	-36 000	625 833	168 587	92 349	-	-12 456	246 480	377 353
Motor vehicles	685 990	131 491	-	-	817 481	161 616	61 274	-	-	222 890	594 591
Furniture & Fittings	608 495	70 577	-500	-	678 572	296 120	45 726	-292	-	341 554	337 018
Office Equipment	13 298	-	-	-4 000	9 298	10 835	636	-	-3 734	7 737	1 561
Trailer	189 746	-	-	-	189 746	119 341	13 022	-	-	132 364	57 382
Tables and desks	193 487	12 649	-	-	206 136	95 363	12 460	-	-	107 824	98 312
Tractors	211 000	-	-	-	211 000	9 911	9 911	-	-	107 824	98 312
Trucks	6 154 042	1 158 517	-	-336 566	6 975 992	1 383 306	419 049	-	-179 997	1 608 357	5 367 535
Works Equipment	503 482	7 888	-	-	511 370	168 737	57 765	-	-	216 502	294 869
Computer hardware	1 224 885	286 884	-	-10 052	1 501 717	455 636	177 313	-	-1 567	631 381	870 336
	365 034 213	52 201 917	0	-13 153 491	424 082 639	129 782 175	7 935 886	-	-7 391 229	130 326 632	293 756 008



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
<b>11</b>	<b>PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>		
	<b>Effect of changes in accounting estimates</b>		
	The change in accounting estimate originated from the evaluation of the remaining useful lives of the assets at year end and as well as the change in conditional assessment.		
		2016 R	2015 R
		(26 604)	(987 404)
			388 619.40
<b>12</b>	<b>INVESTMENT PROPERTY</b>		
	<b>Net Carrying amount as at 1 July</b>	<b>9 982 000</b>	<b>9 982 000</b>
	Cost	9 982 000	9 982 000
	Accumulated Depreciation	-	-
	<b>Net Carrying amount as at 30 June</b>	<b>9 982 000</b>	<b>9 982 000</b>
	Cost	9 982 000	9 982 000
	Accumulated Depreciation	-	-
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
	Operating income received on properties generating revenue	126 626	102 663
	Estimated Fair Value of Investment Property at 30 June	9 982 000	9 982 000
	Fair value was determined by valuation roll of 1 July 2011.		
		2016 R	2015 R
<b>13</b>	<b>INTANGIBLE ASSETS</b>		
	<b>Computer System &amp; Software</b>		
	<b>Net Carrying amount at 1 July</b>	<b>548 607</b>	<b>633 594</b>
	Cost	1 047 057	1 017 488
	Accumulated Amortisation	(498 450)	(383 894)
	Acquisitions	59 298	29 569
	Balance previously reported	-	24 929
	Correction of Intangible Assets against Payables from Exchange Transactions - Trade Payables (Intangibles not recognised in 2014/15)	35.04	4 640
	Disposals	(13 915)	-
	Impairments	-	-
	Amortisation	(121 849)	(114 556)
	Balance previously reported	-	(114 434)
	Correction of Intangible Assets against Statement of Financial Performance - Depreciation and Amortisation (Correction of Intangible assets amortisation for 2014/15)	35.04	(122)
	Disposals	6 690	-
	<b>Net Carrying amount at 30 June</b>	<b>478 830</b>	<b>548 607</b>
	Cost	1 092 439	1 047 057
	Accumulated Amortisation	(613 609)	(498 450)
		2016 R	2015 R
	<b>Carrying Value</b>		
	<b>Description</b>	<b>Remaining Amortisation Period</b>	
	SEBATA - Accounting System	3	97 805
	Microsoft Office	2 - 8	115 937
	Cemetery Module	6	17 588
	Implementation of Sebata	5 - 9	160 463
	MPLS	6	56 342
	Business Plan Pro Premier	6	1 487
	Developed Website	8	29 208
			146 976
			94 941
			21 372
			182 533
			67 653
			1 773
			33 358

No intangible asset were assed having an indefinite useful life.

No residual values allocated to intangible assets, as there is no active market for these software items after use, due to new versions being issued regularly.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

14 BIOLOGICAL ASSETS

	Quantity (Units)	Fair Value R	2016 R	2015 R
Springbuck	160	925	149 200	485 833
Blesbuck	3	1 425	4 298	37 170
			<u>153 498</u>	<u>523 003</u>

Fair value of biological assets is based on hunting prices an open active market less costs to sell. Hunting prices were obtained from the Dept. of Economic Development, Tourism and Environmental Affairs to determine the fair value of game as at year end 30 June 2016

Reconciliation of fair value:

Opening Fair Value	523 003	480 915
Acquisitions	-	-
Disposals	(370 705)	(55 150)
Fair Value adjustments	1 200	97 238
Closing Fair Value	<u>153 498</u>	<u>523 003</u>

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the development or acquisition of biological assets.

All biological assets are located on a farm near Griekwastad. The primary activities revolving around biological assets are as follows:

- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the hunting of game, resulting in an inflow of resources to the municipality.

15 CAPITALISED RESTORATION COST

Net Carrying amount at 1 July

	2016 R	2015 R
Cost	4 422 073	752 524
Accumulated Depreciation	(4 362 989)	(250 143)
Accumulated Impairments	(56 901)	(59 084)
Acquisitions	14 190 547	3 669 546
Depreciation for the year	(7 297 310)	(4 112 846)
Reversal of Impairment / (Impairment)	10 297	2 182

Net Carrying amount at 30 June

	2016 R	2015 R
Cost	18 612 620	4 422 073
Accumulated Depreciation	(11 660 299)	(4 362 989)
Accumulated Impairments	(46 604)	(56 901)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>16 INVENTORY</b>		
Maintenance Materials - at Current Replacement Cost	354 314	472 345
Water - at Current Replacement Cost	2 145	1 887
<b>Total Inventory</b>	<b>356 459</b>	<b>474 232</b>
No inventory assets were pledged as security for liabilities.		
<b>17 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<b>Service Receivables</b>		
Water	24 900 364	39 550 583
Electricity	5 658 480	5 148 032
Refuse	12 252 432	12 911 220
Sewerage	14 175 000	16 730 328
<b>Total Service Receivables</b>	<b>56 986 275</b>	<b>74 338 163</b>
Less: Allowance for Doubtful Debts	-51 811 274	-69 949 800
<b>Net Service Receivables</b>	<b>5 175 001</b>	<b>4 388 363</b>
<b>Other Receivables</b>		
Other Debtors	625 051	894 072
Other Arrears	1 458 588	2 444 777
Attorneys Balances	-	450 487
Rent Bongani	3 867	376 318
Sundry Accounts	1 452 589	1 615 462
Other	2 111	2 510
<b>Total Other Receivables</b>	<b>2 083 619</b>	<b>3 338 849</b>
Less: Allowance for Doubtful Debts	-1 452 711	-2 418 146
<b>Net Other Receivables</b>	<b>630 908</b>	<b>920 703</b>
<b>Total Net Receivables from Exchange Transactions</b>	<b>6 805 909</b>	<b>5 309 066</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

17	TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)	2016 R	2015 R
	Ageing of Receivables from Exchange Transactions		
	<b><u>(Electricity): Ageing</u></b>		
	Current (0 - 30 days)	2 233 040	928 771
	31 - 60 Days	324 971	75 554
	61 - 90 Days	135 424	59 442
	+ 90 Days	2 965 046	4 082 265
	<b>Total</b>	<b>5 658 480</b>	<b>5 146 032</b>
	<b><u>(Water): Ageing</u></b>		
	Current (0 - 30 days)	1 653 474	989 345
	31 - 60 Days	660 611	417 354
	61 - 90 Days	579 331	463 060
	+ 90 Days	22 006 948	37 680 925
	<b>Total</b>	<b>24 900 364</b>	<b>39 550 583</b>
	<b><u>(Refuse): Ageing</u></b>		
	Current (0 - 30 days)	596 798	204 620
	31 - 60 Days	311 731	189 762
	61 - 90 Days	294 212	185 284
	+ 90 Days	11 049 691	12 331 554
	<b>Total</b>	<b>12 252 432</b>	<b>12 911 220</b>
	<b><u>(Sewerage): Ageing</u></b>		
	Current (0 - 30 days)	709 358	213 766
	31 - 60 Days	347 731	205 904
	61 - 90 Days	319 694	198 060
	+ 90 Days	12 798 217	16 112 597
	<b>Total</b>	<b>14 175 000</b>	<b>16 730 328</b>
	<b><u>(Other Receivables): Ageing</u></b>		
	Current (0 - 30 days)	79 686	57 332
	31 - 60 Days	18 913	15 975
	61 - 90 Days	18 888	15 506
	+ 90 Days	1 341 081	2 355 962
	<b>Total</b>	<b>1 458 568</b>	<b>2 444 776</b>
18	TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2016 R	2015 R
	<b>Service Receivables</b>		
	Taxes - Rates	8 250 554	6 601 637
	Fines	2 812 100	2 582 690
	<b>Total Service Receivables</b>	<b>11 062 654</b>	<b>9 184 327</b>
	Less: Allowance for Doubtful Debts	-10 129 418	-8 597 294
	<b>Net Service Receivables</b>	<b>933 236</b>	<b>587 033</b>
	<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>933 236</b>	<b>587 033</b>
	Ageing of Receivables from Non-Exchange Transactions		
	<b><u>(Rates): Ageing</u></b>		
	Current (0 - 30 days)	386 253	290 080
	31 - 60 Days	223 398	93 880
	61 - 90 Days	183 084	90 794
	+ 90 Days	7 457 819	6 126 883
	<b>Total</b>	<b>8 250 554</b>	<b>6 601 637</b>

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## TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

<u>Summary of Receivables by Customer Classification</u>	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
<b>2016</b>				
Total Receivables	68 304 297	364 748	1 463 504	70 132 548
Less: Provision for doubtful debts	-63 050 623	-342 780	-	-63 393 403
<b>Total Recoverable debtors by customer classification</b>	<b>5 253 674</b>	<b>21 968</b>	<b>1 463 504</b>	<b>6 739 145</b>

<u>Summary of Receivables by Customer Classification</u>	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
<b>2015</b>				
Total Receivables	85 110 198	264 667	1 466 474	86 861 339
Less: Provision for doubtful debts	-80 694 239	-271 001	-	-80 965 240
<b>Total Recoverable debtors by customer classification</b>	<b>4 415 959</b>	<b>13 666</b>	<b>1 466 474</b>	<b>5 896 099</b>

Trade and other receivables impairment

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
<b>2016</b>			
Total	<b>-53 263 985</b>	<b>-10 129 418</b>	<b>-63 393 403</b>
<b>2015</b>			
Total	<b>-72 367 946</b>	<b>-8 697 294</b>	<b>-80 965 240</b>

Debts (Rates) are required to be settled after 30 days. Interest is charged after this date at prime + 1%.  
The fair value of trade and other receivables approximates their carrying amounts.

Reconciliation of the Total doubtful debt provision

	2016 R	2015 R
Balance at beginning of the year	80 965 240	40 454 229
Contributions to provision	7 091 046	33 693 725
VAT Impairment	711 515	4 637 549
Doubtful debts written off against provision	-25 434 267	-136 536
Fines	59 869	2 316 273
<b>Balance at end of year</b>	<b>63 393 403</b>	<b>80 965 240</b>

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
20	<b>OPERATING LEASE ARRANGEMENTS</b>		
20.1	<b>The Municipality as Lessor</b>		
	Balance on 1 July	159 094	156 316
	Restated Balance on 1 July	159 094	156 316
	Movement during the year	(14 407)	2 778
	<b>Balance on 30 June</b>	<b>144 687</b>	<b>159 094</b>

Siyancuma Municipality is leasing commonage land to MTN for periods of 119 months with escalations of 10% per year.

Siyancuma Municipality is leasing commonage land to Vodacom for periods of 59 months with escalations of 10% per year.

Siyancuma Municipality is leasing commonage land to various lessees with escalations of 12% per year till 30 June 2020.

Siyancuma Municipality is leasing commonage land to Vodacom for periods of 60 months with escalations of average CPIX of 3.7% per year.

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

	2016 R	2015 R
Up to 1 Year	178 302	208 741
2 to 5 Years	327 895	501 015
More than 5 Years	9 500	14 682
<b>Total Operating Lease Arrangements</b>	<b>515 698</b>	<b>724 439</b>

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income

The leases are in respect of land being leased out for a period until June 2020.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

21 CASH AND CASH EQUIVALENTS

**Assets**

	2016 R	2015 R
Call Investments Deposits	1 546 486	389 618
Primary Bank Account	1 302 536	1 779 646
Balance previously reported		1 777 513
Correction of Cash and cash equivalents against Statement of financial performance - Rental of facilities and equipment (Reversal of State cheques 11100070 cancelled as stale)	35.02	48
Correction of Cash and cash equivalents against Payables from Exchange Transactions - Sundry Payables (Reversal of State cheques 11100957 cancelled as stale)	35.02	2 085
Cash Floats	800	800
<b>Total Cash and Cash Equivalents - Assets</b>	<b>2 849 822</b>	<b>2 170 064</b>

The municipality has the following bank accounts:

**Current Accounts**

Douglas - Std Bank Account number: 041667336000 (Third Primary Bank Account):	304 832	1 631 690
Douglas - FNB Account Number: 52090018612 (Second Primary Bank Account)	239 227	147 956
Douglas - ABSA Account number: 4087368160 (Primary Bank Account):	758 477	-
	<b>1 302 536</b>	<b>1 779 646</b>

**Douglas - Std Bank Account number: 041667336000 (Third Primary Bank Account):**

Cash book balance at beginning of year	1 631 690	573 598
Cash book balance at end of year	304 832	1 631 690
Bank statement balance at beginning of year	2 822 844	659 923
Bank statement balance at end of year	304 917	2 822 844

**Douglas - FNB Account Number: 52090018612 (Second Primary Bank Account)**

Cash book balance at beginning of year	147 956	381 426
Cash book balance at end of year	239 227	147 956
Bank statement balance at beginning of year	147 956	381 426
Bank statement balance at end of year	239 227	147 956

**Douglas - ABSA Account number: 4087368160 (Primary Bank Account):**

Cash book balance at beginning of year	-	-
Cash book balance at end of year	758 477	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	759 733	-

**Call Investment Deposits**

Call investment deposits consist out of the following accounts:

Bank	Account Number		
Standard Bank	54792271	84 823	79 331
Standard Bank	54994621	6 716	6 281
Standard Bank	048857440	-	1 512
Standard Bank	048857424	-	2 302
Standard Bank	048857432	1 387 735	1 610
Standard Bank	048858625	-	237 839
Standard Bank	048857521	6 277	1 716
Standard Bank	048860077	60 935	59 027
		<b>1 546 485</b>	<b>389 618</b>

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22 PROPERTY RATES

Actual

**Rateable Land and Buildings**

Residential, Commercial Property, State

**Less: Rebates**

**Total Assessment Rates**

2016  
R

2015  
R

12 179 697

17 665 450

12 179 697

17 665 450

-2 104 775

-9 135 317

**10 074 922**

**8 530 133**

Valuations - 1 July 2015

**Rateable Land and Buildings**

Residential

Business

Governments

Agriculture

Exempt Municipal and other

5 499 001 940

5 425 674 180

443 365 600

432 093 500

103 858 100

96 989 000

42 325 000

41 907 000

4 826 300 040

4 773 712 580

83 153 200

80 972 100

**5 499 001 940**

**5 425 674 180**

**Less: Income Forgone**

**Total Assessment Rates**

Valuations on land and buildings must be performed every four years. The last valuation came into effect on 1 July 2011. Siyancuma Local Municipality has received an exemption and a new valuation roll will be implemented as from 1 July 2016.

Rates are levied monthly and annually and are payable after due dates. Interest is levied at the prime rate plus 1% on outstanding amounts after due dates.

23 GOVERNMENT GRANTS AND SUBSIDIES

**Unconditional Grants**

Equitable Share

**Conditional Grants**

Library Project

Local Government Financial Management Grant

Municipal System Improvement Grant

Municipal Infrastructure Grant

Griekwastad 457

Douglas Oxidation Ponds

EPVVP

RBIG

Department of Minerals & Energy

**Total Government Grants and Subsidies**

Government Grants and Subsidies - Capital

Government Grants and Subsidies - Operating

2016  
R

2015  
R

**39 294 000**

**38 021 000**

23.1 39 294 000

38 021 000

**44 511 321**

**46 986 015**

795 369

826 000

1 875 000

1 800 000

930 000

934 000

29 581 961

22 861 008

930 992

8 766 386

3 999 820

7 289 790

1 024 189

1 401 023

749 990

-

4 624 000

3 107 808

**83 805 321**

**85 007 015**

Grant spending per vote:

Executive & Council

Budget & Treasury

Community & Social Services

Road Transport

Electricity

Water

Waste Water Management

42 099 000

40 755 000

795 369

826 000

20 092 787

12 026 422

4 624 000

3 107 808

11 728 849

16 618 802

4 465 316

11 672 983

**83 805 321**

**85 007 015**

Conditions were complied with during the year.

23.1 **Equitable share**

Opening balance

Grants received

Transfer from MIG due to roll over not approved on MIG

Conditions met - Operating

Conditions met - Capital

Conditions still to be met

-

-

39 294 000

31 758 000

-

6 263 000

(39 294 000)

(38 021 000)

-

-

-

-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

23	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2016 R	2015 R
23.2	Local Government Financial Management Grant (FMG)		
	Opening balance	-	-
	Grants received	1 875 000	1 800 000
	Conditions met - Operating	(1 875 000)	(1 800 000)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns)		
23.3	Municipal Systems Improvement Grant		
	Opening balance	-	-
	Grants received	930 000	934 000
	Transfers	-	-
	Conditions met - Operating	(930 000)	(882 807)
	Conditions met - Capital	-	(51 193)
	Conditions still to be met	-	-
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
23.4	Municipal Infrastructure Grant (MIG)		
	Opening balance	237 585	13 338 593
	Grants received	26 187 000	16 023 000
	Transfer to Equitable Share due to roll over not approved on MIG	-	(6 263 000)
	Conditions met - Operating	-	-
	Conditions met - Capital	(29 581 981)	(22 861 008)
	Grant expenditure to be recovered	(3 157 376)	237 585
	The grant was used to upgrade infrastructure in previously disadvantaged areas		
23.5	Expanded Public Works Program		
	Opening balance	371 533	772 555
	Grants received	1 000 000	1 000 000
	Conditions met - Operating	(1 024 189)	(1 401 023)
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	347 344	371 533
	The grant was used for infrastructure development in the Siyancuma area.		
23.6	Library Grants		
	Opening balance	-	-
	Grants received	1 259 000	826 000
	Conditions met - Operating	(795 369)	(826 000)
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	463 631	-
	Library grants was utilised for the development of libraries in the Siyancuma area.		
23.7	Integrated National Electrification Grant		
	Opening balance	-	1 607 808
	Grants received	4 650 000	1 500 000
	Conditions met - Operating	-	-
	Conditions met - Capital	(4 624 000)	(3 107 808)
	Conditions still to be met	26 000	-
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
23.8	Other Grants		
	Opening balance	301 099	1 387 005
	Grants received	6 680 802	14 970 270
	Conditions met - Operating	(1 000 000)	-
	Conditions met - Capital	(5 680 802)	(16 056 175)
	Conditions still to be met	301 099	301 099
	Various grants were received from other spheres of government		

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
<b>23</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>		
<b>23.9</b>	<b>Total Grants</b>		
	Opening balance	910 217	17 105 961
	Grants received	61 875 802	68 811 270
	Transfers	-	-
	Conditions met - Operating	(44 918 558)	(42 930 830)
	Conditions met - Capital	(39 886 763)	(42 076 185)
	Conditions still to be met/(Grant expenditure to be recovered)	<u>(2 019 302)</u>	<u>910 217</u>
	Disclosed as follows:		
	Unspent Conditional Government Grants and Receipts	1 138 074	910 217
	Unpaid Conditional Government Grants and Receipts	(3 157 376)	-
		<u>(2 019 302)</u>	<u>910 217</u>
<b>24</b>	<b>CONTRIBUTED PPE</b>		
	Bucket eradication project	-	2 586 821
	Provision of 457 stands services in Griekwastad	-	5 068 424
	<b>Total changes in fair value</b>	<u>-</u>	<u>7 655 245</u>
	Contributed PPE represents all assets donated to the municipality - refer to note 11 for the inclusion of assets.		
<b>25</b>	<b>SERVICE CHARGES</b>		
	Electricity	23 439 999	21 629 559
	Service Charges	28 998 916	25 981 979
	Less: Rebates	(5 558 917)	(4 352 420)
	Water	10 486 457	11 356 330
	Service Charges	12 973 375	13 641 513
	Less: Rebates	(2 486 918)	(2 285 183)
	Refuse removal	4 981 742	4 728 037
	Service Charges	6 163 188	5 679 439
	Less: Rebates	(1 181 446)	(851 402)
	Sewerage and Sanitation Charges	5 691 871	5 584 029
	Service Charges	7 289 158	6 707 678
	Less: Rebates	(1 397 287)	(1 123 648)
	Other Service Charges	-	-
	<b>Total Service Charges</b>	<u>44 800 069</u>	<u>43 297 955</u>
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		<b>2016</b>	<b>2015</b>
		<b>R</b>	<b>R</b>
<b>26</b>	<b>OTHER REVENUE</b>		
	Sundry income	359 591	301 006
	Insurance income	118 165	10 691
	Legal cost received	54 223	75 980
	Cemetery fees	30 599	29 820
	Other income represents administration income	50 733	87 272
	Donations	72 700	96 500
	Landfill site	3 075 837	640 427
	<b>Total Other Income</b>	<b>3 761 848</b>	<b>1 241 696</b>

Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) and fees for items not included under service charges (camping, fire brigade and impounding fees)

		<b>2016</b>	<b>2015</b>
		<b>R</b>	<b>R</b>
<b>27</b>	<b>EMPLOYEE RELATED COSTS</b>		
	Employee Related Costs - Salaries and Wages	28 002 034	25 858 182
	Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	7 180 540	6 036 069
	Balance previously reported		6 036 406
	Correction of Employee related costs - Bargaining Council from Contributions for UIF, Pensions and Medical Aids (Reclassification of vote 0570/3101/0000)	35.07	-339
	Travelling Allowances	2 218 372	2 064 864
	Acting Allowance	376 106	560 261
	Cellphone Allowance	136 400	102 100
	Standby Allowance	1 196 019	973 664
	Housing Benefits and Allowances	552 781	235 598
	Overtime	5 107 887	3 755 082
	Bargaining Council	13 470	11 408
	Balance previously reported		-
	Correction of Employee related costs - Bargaining Council from General Expenses - Other Expenditure (Reclassification of vote structure 3101)	35.07	11 069
	Correction of Employee related costs - Bargaining Council from Contributions for UIF, Pensions and Medical Aids (Reclassification of vote 0570/3101/0000)	35.07	339
	Bonuses	2 000 524	1 792 380
	Leave reserve	-	-
	Provision for staff leave	531 260	427 024
	Contribution to provision - Long Service Awards	3 166 666	134 866
	Contribution to provision - Post Retirement Medical	3 587 277	399 706
	<b>Total Employee Related Costs</b>	<b>48 069 336</b>	<b>42 351 204</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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## EMPLOYEE RELATED COSTS

## KEY MANAGEMENT PERSONNEL

There are no post-employment or termination benefits payable to them at the end of the contract period.

## REMUNERATION OF KEY MANAGEMENT PERSONNEL

*Remuneration of the Municipal Manager (HF Nel)*

	2016 R	2015 R
Annual Remuneration	758 579	657 788
Subsistence Allowances	19 002	19 002
Travelling Allowance	203 526	202 416
Contributions to UIF, Medical and Pension Funds	237 317	220 955
Public Allowance	19 002	19 002
Transport Logsheets	236 613	162 294
<b>Total</b>	<b>1 474 040</b>	<b>1 281 459</b>

*Remuneration of the Chief Financial Officer (CJB Müller) (01/07/2015 to 31/01/2016)*

Annual Remuneration	673 805	1 067 592
Travelling Allowance	35 000	60 000
Contributions to UIF, Medical and Pension Funds	71 573	115 739
Cellphone Allowance	5 600	9 600
Transport Logsheets	17 507	14 335
<b>Total</b>	<b>803 485</b>	<b>1 268 266</b>

*Remuneration of the Director Corporate and Community Services (Acting) Groenewalt) (1 July 2015 - 31 August 2015) (1 November 2015 - 30 June 2016)*

(CJD)

Annual Remuneration	428 599	59 132
Housing	8 400	955
Travelling Allowance	167 438	27 776
Contributions to UIF, Medical and Pension Funds	109 358	19 306
Cellphone Allowance	9 600	1 600
Transport Logsheets	13 677	-
Acting Allowance	92 200	9 220
<b>Total</b>	<b>829 274</b>	<b>117 989</b>

*Remuneration of the Director Infrastructure Services (XS Geco)*

Annual Remuneration	630 679	558 277
Housing	37 077	36 464
Travelling Allowance	85 000	84 000
Contributions to UIF, Medical and Pension Funds	190 753	178 752
Cellphone Allowance	9 600	9 600
Transport Logsheets	127 904	98 387
<b>Total</b>	<b>1 081 013</b>	<b>965 480</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The Mayor is full-time. She is provided with an office, secretarial support and a driver at the cost of the Council.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
<b>29</b>	<b>DEBT IMPAIRMENT / (REVERSAL)</b>		
	Trade Receivables from exchange transactions	17 5 793 763	37 762 896
	Trade Receivables from non-exchange transactions	18 2 068 667	2 884 651
	Less: VAT Debt Impairment Provision	10 (7 111 515)	(4 637 549)
	<b>Total Contribution to Impairment Provision</b>	<b>26 7 150 916</b>	<b>36 009 999</b>
		2016 R	2015 R
<b>30</b>	<b>IMPAIRMENTS</b>		
	Property Plant & Equipment	165 101	-
		<u>165 101</u>	<u>-</u>
<b>31</b>	<b>FINANCE CHARGES</b>		
	Long-term Liabilities	1 868 387	1 106 772
	Payables & Creditors	7 076 228	3 876 008
	Actuarial Interest	1 420 830	1 182 683
	Landfill Sites	541 993	305 021
	<b>Total finance charges</b>	<b>10 907 438</b>	<b>6 470 484</b>
<b>32</b>	<b>BULK PURCHASES</b>		
	Electricity	34 883 099	32 915 545
	Water	368 015	380 300
	Purchases	430 651	485 335
	Less Stock Adjustments	(62 636)	(105 035)
	Stock adjustments	62 636	105 035
	<b>Total Bulk Purchases</b>	<b>35 313 750</b>	<b>33 400 880</b>
<b>33</b>	<b>OPERATING GRANT EXPENDITURE</b>		
	Operating grant expenditure per vote		
	Budget & Treasury	-	820 247
	Community & Social Services	22 198	21 712
	Road Transport	1 025 576	1 080 706
	<b>Total Operating grant expenditure</b>	<b>1 047 774</b>	<b>1 922 665</b>
		2016 R	2015 R
<b>34</b>	<b>GENERAL EXPENSES</b>		
	Advertisements	256 271	174 080
	Audit fees	1 746 140	1 913 833
	Bank charges	315 056	299 095
	Chemicals	268 373	342 320
	Cleaning costs	-	-
	Commission paid	373 122	67 259
	Delegation fees	347 838	588 150
	Entertainment: public	72 635	65 539
	Environmental health	183 805	212 022
	Insurance cost	368 584	614 555
	Legal expenses	408 160	391 267
	Membership fees: municipal	506 121	500 000
	Other expenditure	1 077 017	1 100 394
	Balance previously reported	-	1 111 463
	Correction of Employee related costs - Bargaining Council from General Expenses - Other Expenditure (Reclassification of vote structure 3101)	35.07 -	-11 069
	Printing & stationary	1 421 522	1 020 331
	Professional and consultant	7 374 211	5 573 309
	Purchase of refuse bags	-	654
	Telephone expenses	770 964	984 560
	Training	47 269	1 143 491
	Valuation fees	1 031 263	630 832
	Security	3 183 601	3 015 115
	Skills development Levy	431 120	1 035 312
	Subsistence and travel	759 260	719 097
	Vehicles: fuel	986 354	901 674
	Workmens Compensation	753 883	-
	<b>General Expenses</b>	<b>22 682 669</b>	<b>21 282 889</b>

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2015  
R

## 35 CORRECTION OF ERROR IN TERMS OF GRAP 3

## 35.01 VAT payable from exchange transactions

Disclosure as required by GRAP 1.

## Balance previously reported

(9 149 843)

Correction of Intangible Assets against Payables from Exchange Transactions - Trade Payables (Intangibles not recognised in 2014/15 - VAT portion)

35.05

-650

## Total

(9 150 493)

## 35.02 Cash and Cash Equivalents

Disclosure as required by GRAP 1.

## Balance previously reported

2 187 931

Correction of Cash and cash equivalents against Statement of financial performance - Rental of facilities and equipment (Reversal of Stale cheques 11100070 cancelled as stale)

35.07

48

Correction of Cash and cash equivalents against Payables from Exchange Transactions - Sundry Payables (Reversal of Stale cheques 11100957 cancelled as stale)

35.05

2 085

## Total

2 170 064

## 35.03 Property, Plant and Equipment

Disclosure as required by GRAP 1.

## Balance previously reported

296 786 948

Correction of PPE - Land and Buildings against Accumulated Surplus (Correction of Cost of RDP houses to be removed as at 30 June 2014)

35.06

-4 179 100

Correction of PPE - Land and Buildings against Accumulated Surplus (Correction of Accumulated Depreciation of RDP houses to be removed as at 30 June 2014)

35.06

189 310

Correction of PPE - Land and Buildings against Statement of Financial Performance - Depreciation and amortisation (Correction of RDP houses to be removed as at 30 June 2014)

35.07

26 816

Correction of Property, Plant and Equipment against Payables from Exchange Transactions - Sundry Payables (Capturing of retention fees Project 457 Stands)

35.05

930 992

Correction of Property, Plant and Equipment against Statement of Financial Performance - Depreciation (Capturing of retention fees Project 457 Stands - correcting depreciation charge)

35.07

-957

## Total

293 756 007

## 35.04 Intangible Assets

Disclosure as required by GRAP 1.

## Balance previously reported

544 090

Correction of Intangible Assets against Payables from Exchange Transactions - Trade Payables (Intangibles not recognised in 2014/15)

35.05

4 640

Correction of Intangible Assets against Statement of Financial Performance - Depreciation and Amortisation (Correction of Intangible assets amortisation for 2014/15)

35.07

-122

## Total

548 608

## 35.05 Payables from exchange transactions

Disclosure as required by GRAP 1.

## Balance previously reported

43 425 641

Correction of Intangible Assets against Payables from Exchange Transactions - Trade Payables (Intangibles not recognised in 2014/15)

35.04

4 640

Correction of Intangible Assets against Payables from Exchange Transactions - Trade Payables (Intangibles not recognised in 2014/15 - VAT portion)

35.01

650

Correction of Cash and cash equivalents against Payables from Exchange Transactions - Sundry Payables (Reversal of Stale cheques 11100957 cancelled as stale)

35.02

2 085

Correction of Property, Plant and Equipment against Payables from Exchange Transactions - Sundry Payables (Capturing of retention fees Project 457 Stands)

35.03

930 992

## Total

44 364 007

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)

2015  
R

## 35.06 Accumulated Surplus/(Deficit)

Disclosure as required by GRAP 1.

## Balance previously reported

244 601 670

Correction of PPE - Land and Buildings against Accumulated Surplus (Correction of Cost of RDP houses to be removed as at 30 June 2014)

35.03

-4 179 100

Correction of PPE - Land and Buildings against Accumulated Surplus (Correction of Accumulated Depreciation of RDP houses to be removed as at 30 June 2014)

35.03

189 310

## Total

240 422 570

## 35.07 Changes to Statement of Financial Performance

## Balance previously reported

-12 463 440

Correction of Employee related costs - Bargaining Council from General Expenses - Other Expenditure (Reclassification of vote structure 3101)

35.07

11 069

Correction of Employee related costs - Bargaining Council from General Expenses - Other Expenditure (Reclassification of vote structure 3101)

35.07

-11 069

Correction of Employee related costs - Bargaining Council from Contributions for UIF, Pensions and Medical Aids (Reclassification of vote 0570/3101/0000)

35.07

339

Correction of Employee related costs - Bargaining Council from Contributions for UIF, Pensions and Medical Aids (Reclassification of vote 0570/3101/0000)

35.07

-339

Correction of Cash and cash equivalents against Statement of financial performance - Rental of facilities and equipment (Reversal of State cheques 11100070 cancelled as state)

35.02

48

Correction of Intangible Assets against Statement of Financial Performance - Depreciation and Amortisation (Correction of Intangible assets amortisation for 2014/15)

35.04

-122

Correction of PPE - Land and Buildings against Statement of Financial Performance - Depreciation and amortisation (Correction of RDP houses to be removed as at 30 June 2014)

35.03

28 816

Correction of Property, Plant and Equipment against Statement of Financial Performance - Depreciation (Capturing of retention fees Project 457 Stands - correcting depreciation charge)

35.03

-957

## Total

-12 435 655



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>36 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus/(Deficit) for the year	(3 453 596)	(12 435 655)
<b>Adjustments for:</b>		
Depreciation	15 728 089	12 048 349
Amortisation of Intangible Assets	121 849	114 556
Contributed PPE	-	(7 655 245)
Impairments	165 101	-
(Gain)/ loss on disposal of Property Plant and Equipment	898 931	2 094 292
(Gain)/ loss on disposal of Biological Assets	298 660	55 150
(Gain)/ loss from landfill cost reversal	(3 075 837)	(640 427)
Contribution from/to employee benefits - benefits paid	(660 525)	(732 302)
Contribution from/to employee benefits - non-current - expenditure incurred	2 174 773	1 717 255
Contribution from/to employee benefits - non-current - actuarial gains	1 066 241	2 012 816
Contribution to employee benefits – current	2 414 429	2 219 404
Contribution to employee benefits – current - expenditure incurred	(1 916 392)	(1 983 782)
Contribution to provisions – current	541 993	305 021
Contribution to provisions – current - expenditure incurred	-	-
Contribution to provisions – Debt Impairment	7 862 430	40 647 548
Debt impairment written off	(25 434 267)	(136 536)
Fair Value Adjustments	(1 200)	(97 238)
Unamortised discount - Interest - Expenditure	-	-
Operating lease income accrued	14 407	(2 778)
Operating Surplus/(Deficit) before changes in working capital	(3 256 712)	37 528 427
Changes in working capital	39 698 624	(3 931 308)
Increase/(Decrease) in Payables From Exchange Transactions	33 306 496	25 914 292
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	227 857	(16 195 744)
Increase/(Decrease) in Taxes	(7 524 917)	(190 632)
(Increase)/Decrease in Inventory	117 773	33 504
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(3 157 376)	-
(Increase)/Decrease in Trade Receivables from exchange transactions	18 607 117	(10 757 837)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(1 878 327)	(2 734 890)
<b>Cash generated/(absorbed) by operations</b>	<b>36 441 912</b>	<b>33 597 120</b>
	<b>2016 R</b>	<b>2015 R</b>
<b>37 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits	21 1 546 486	389 618
Cash Floats	21 800	800
Bank	21 1 302 536	1 779 646
<b>Total cash and cash equivalents</b>	<b>2 849 822</b>	<b>2 170 064</b>
<b>38 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents	37 2 849 822	2 170 064
Less:	2 849 822	2 170 064
Unspent Committed Conditional Grants	9 1 138 074	910 217
<b>Resources available for working capital requirements</b>	<b>1 711 748</b>	<b>1 259 847</b>
<b>39 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities	2 5 923 816	6 090 915
Used to finance property, plant and equipment - at cost	5 923 816	6 090 915
Cash set aside for the repayment of long-term liabilities	-	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>

Annuity loans at amortised cost is calculated at 10%-10.50% interest rate, with maturity date of 1 September 2017.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

40	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2016 R	2015 R
40.1	<b>Unauthorised expenditure</b>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	148 877 660	90 797 805
	Unauthorised expenditure current year - capital	3 297 318	20 842 626
	Unauthorised expenditure current year - operating	10 142 734	37 437 229
	Approved by Council or condoned	-	-
	Transfer to receivables for recovery	-	-
	Unauthorised expenditure awaiting authorisation	<b>162 317 712</b>	<b>148 877 660</b>

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 R (Unauthorised)
<b>Unauthorised expenditure current year - operating</b>				
Executive & Council	5 543 487	7 878 101	(2 334 614)	-
Budget & Treasury	36 167 335	36 701 200	(533 865)	-
Corporate Services	24 491 043	19 002 633	5 488 410	5 488 410
Health	250 523	436 961	(186 438)	-
Community & Social Services	2 820 884	2 760 109	60 775	60 775
Public Safety	3 810 422	695 567	3 114 855	3 114 855
Sport & Recreation	769 822	1 345 277	(575 455)	-
Waste Management	9 646 652	9 005 140	641 512	641 512
Waste Water Management	7 550 956	6 763 042	787 914	787 914
Road Transport	12 249 086	15 514 545	(3 265 459)	-
Water	6 397 228	8 285 532	(1 888 305)	-
Electricity	40 213 414	40 164 147	49 267	49 267
	<b>149 910 851</b>	<b>148 652 254</b>	<b>1 258 597</b>	<b>10 142 734</b>
<b>Unauthorised expenditure current year - capital</b>				
Executive & Council	-	-	-	-
Budget & Treasury	54 121	160 000	(105 879)	-
Corporate Services	1 723 799	160 000	1 563 799	1 563 799
Health	-	-	-	-
Community & Social Services	-	610 000	(610 000)	-
Public Safety	12 647	-	12 647	12 647
Waste Management	-	-	-	-
Waste Water Management	5 722 971	4 230 000	1 492 971	1 492 971
Road Transport	7 007 890	9 687 000	(2 679 110)	-
Water	17 427 901	17 200 000	227 901	227 901
Electricity	4 083 345	5 024 000	(940 655)	-
	<b>36 032 674</b>	<b>37 071 000</b>	<b>(1 038 326)</b>	<b>3 297 318</b>

## 40.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	5 208 758	819 007
Fruitless and wasteful expenditure current year	7 091 344	4 389 751
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	<b>12 300 102</b>	<b>5 208 758</b>

Incident	Disciplinary steps/criminal proceedings
2009 & 2010 - Lease of clock machine - R106 944	None
2011 - Transport costs paid in excess of policy - R69 126	None
2011 - Interest on late payments - R1 818	None
2011 - Traffic fines - R1 600	None
2012 - Interest on different vendors - R65 155	None
2012 - Interest and unsupported payments - ESKOM - R22 776	None
2012 - Penalties for late submission of assessments - Office of the Compensation Commissioner - R33 025	None
2013 - Penalties for late submission of EMP201 assessments R121 885	None
2013 - Interest for the late submission of EMP201 assessments R6 775	None
2013 - Interest for the late payment on Auditor General's account R165 600	None
2014 - Penalties for late submission of EMP201 assessments R41 791	None
2014 - Interest for the late submission of EMP201 assessments R299	None

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

40

## UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

2016  
R2015  
R

## Fruitless and wasteful expenditure (continued)

2014 - Interest for the late payment on Auditor General's account R182 213	None
2014 - Interest for the late payment on Eskom's account R323 642	None
2015 - Interest for the late payment on Auditor General's account R176 520	None
2015 - Interest for the late payment on Eskom's account R3 564 391	None
2015 - Interest for the late payment on various different vendors' accounts R12 374	None
2015 - Interest and Penalty's paid to SARS on VAT201 returns amounting to R76 958.22	None
2015 - Interest and Penalty's paid to SARS on EMP201 returns amounting to R235 866.14	None
2016 - Interest and Penalty's paid to SARS on EMP201 returns amounting to R65770.29	None
2016 - Interest for the late payment on Eskom's account R6 627 707.90	None
2016 - Interest for the late payment on Auditor General's account R378 121.13	None
2016 - Interest for the late payment on various different vendors' accounts R19 729.81	None
2016 - Interest and Penalty's paid to SARS on VAT201 returns amounting to R14.76	None

65 770.29

6 627 707.90

378 121.13

19 730

15

## 40.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance  
 Irregular expenditure current year  
 Condoned or written off by Council  
 Transfer to receivables for recovery - not condoned  
 Irregular expenditure awaiting condonement

25 399 837

-

-25 399 837

-

-0

20 648 292

4 751 545

-

-

25 399 837

Incident	Disciplinary steps/criminal proceedings
2012 - List of Irregular expenditure - R1 672 355	None
2012 - Related party transactions - R1 915 098.47	None
2012 - Micro Mega - Invalid contract extension - R347 622.12	None
2012 - No contract is in place with HV Electrical - R254 109.72	None
2014 - List of Irregular expenditure - R12 138 399	None
2015 - List of Irregular expenditure - Non-compliance with Supply Chain Management Policy - Total payments made exceeded original contract amount	None
2015 - List of Irregular expenditure - Non-compliance with Supply Chain Management Policy - Locally produced content does not meet prescribed requirements	None
2015 - List of Irregular expenditure - Non-compliance with Supply Chain Management Policy - Contract not awarded to bidder with highest points	None
2015 - List of Irregular expenditure - Non-compliance with Supply Chain Management Policy - Quotes not evaluated in accordance with the preference point system	None
2015 - List of Irregular expenditure - Non-compliance with Supply Chain Management Policy - Original/Certified copy of tax clearance certificate not obtained	None
2015 - List of Irregular expenditure - Non-compliance with Supply Chain Management Policy - 3 Quotations not obtained	None

1 071 126

163 813

320 000

42 620

87 600

3 066 366

The list of Irregular expenditure will be investigated and proceedings will be reported on.

## 40.4 Material Losses

## Electricity distribution losses

Units purchased (Kwh)  
 - Units lost during distribution (Kwh)  
 - Percentage lost during distribution

30 048 741

6 119 066

20.36%

28 951 041

6 071 581

20.97%

## Water distribution losses

- Mega litres purified  
 - Mega litres lost during distribution  
 - Percentage lost during distribution

1 816 020

264 130

14.54%

1 633 784

353 580

21.64%

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>41</b>	<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>41.1</b>	<b><u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u></b>		
	Opening balance	-	-
	Council subscriptions	-	500 000
	Amount paid - current year	-	(500 000)
	Amount paid - previous years	-	-
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>41.2</b>	<b><u>Audit fees - [MFMA 126 (1)(b)]</u></b>		
	Opening balance	2 777 559	2 012 512
	Current year audit fee	2 368 721	2 360 628
	Amount paid - current year	-	(682 179)
	Amount paid - previous year	-	(913 402)
	<b>Balance unpaid (included in creditors)</b>	<b>5 146 280</b>	<b>2 777 559</b>
<b>41.3</b>	<b><u>VAT - [MFMA 125 (1)(b)]</u></b>		
	VAT	<b>16 675 410</b>	<b>9 150 493</b>
	VAT is payable/receivable on the cash basis		
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)</b>		<b>2016 R</b>	<b>2015 R</b>
<b>41.4</b>	<b><u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u></b>		
	Opening balance	617 760	1 077 704
	Current year payroll deductions and Council Contributions	7 269 892	6 260 772
	Amount paid - current year	-6 638 788	-6 720 716
	<b>Balance unpaid (included in creditors)</b>	<b>1 248 863</b>	<b>617 760</b>
<b>41.5</b>	<b><u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u></b>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	9 262 051	7 523 447
	Amount paid - current year	-9 262 051	-7 523 447
	Amount paid - previous year	-	-
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>41.6</b>	<b><u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u></b>		
	The following Councillors had arrear accounts for more than 90 days as at 30 June 2016:		
		<b>2016 R Outstanding more than 90 days</b>	<b>2015 R Outstanding more than 90 days</b>
	A. Olifant	24 897	22 113
	L. van Niekerk	28 685	14 858
	<b>Total Councillor Arrear Consumer Accounts</b>	<b>53 583</b>	<b>36 970</b>
<b>41.7</b>	<b><u>Non-Compliance with MFMA</u></b>		
	* Section 65(2)(e) of the MFMA: Creditors were not paid within the 30 day limit.		

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)**

**41.8 Deviations - Supply Chain Management**

Deviations from the Supply Chain Management Regulations were identified on the following categories:

Deviations per financial category

- Between R 0 and R 2 000
- Between R 2 000 and R 10 000
- Between R 10 000 and R 30 000
- Between R 30 000 and R 500 000

2016 R	2015 R
-	-
398 732	486 172
1 001 062	599 395
6 514 523	5 787 152
<u>7 914 317</u>	<u>6 872 719</u>

**Deviations between R30 000 and R500 000**

Protea Coin - (Security services Transfer of money) - Deviation from SCM	-	478 244
Sectional Poles - Sole Provider Highmask lighting Griquatown - Deviation from SCM	-	77 594
Olefile Security - Month to Month contract - Deviation from SCM	1 746 983	1 741 834
Amaruri Security - Month to Month contract - Deviation from SCM	1 249 629	1 228 732
Munex Consulting - Assist with audit Plan - Deviation from SCM	-	325 540
Dolphin Pumps - Emergency - Deviation from SCM	-	33 613
Marvin Marketing - Sole supplier - Deviation from SCM	282 834	353 685
Mommar Sales - Sole supplier - Deviation from SCM	131 083	88 215
Coen Fraenkel - Subdivision of Erf 341 Douglas - Deviation from SCM	-	54 413
Media 24 Limited - Must advertise in different newspapers - Deviation from SCM	99 786	76 447
Sebata - Sole supplier - Deviation from SCM	-	531 074
AB Elektries - Emergency - Campbell pump broken - Deviation from SCM	-	30 601
WJ van Bergen - Emergency - Transformer - Deviation from SCM	-	64 182
Actom - Emergency - Transformer - Deviation from SCM	-	55 290
Wits Business School - Sole provider - Deviation from SCM	28 500	91 000
Oranje Toyota Kimberley - Emergency Sanitation Truck - Deviation from SCM	-	48 673
Electro Vroomen - Deviations from SCM	-	58 895
Gariep Motors - Emergency - Health Hazard - Deviation from SCM	-	33 449
Micro Mega - Purchase of Cellphones - Meter man - Deviation from SCM	-	44 372
Douglas Engineering BK - Emergency repairs - Deviation from SCM	-	33 070
University of Fort Hare - Training - Deviation from SCM	-	100 000
Fidelity Cash Solution - Deviation from SCM	597 283	192 718
Transforman - Insufficient Quotes - Deviation from SCM	-	45 312
Gearbox & Diff - Emergency water truck break down - Deviation from SCM	40 470	-
Abuti Management - 3 Month Contract - Deviation from SCM	1 209 771	-
L&E Dreinerings Dienste - Emergency unblock sewerage - Deviation from SCM	96 165	-
BEKA - Sole supplier High Mast Lights - Deviation from SCM	53 022	-
Sebata - FMS supplier - Deviation from SCM	709 133	-
Truvela Manufacturers - Speedmeasuring instrument - sole supplier - Deviation from SCM	158 170	-
Spark & Ellis - Sole supplier - Deviation from SCM	33 938	-
Sunday Times - Must advertise in different newspapers - Deviation from SCM	41 929	-
Astra Travel - Insufficient Quotes - Deviation from SCM	35 827	-

**42 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

Approved and contracted for:

Infrastructure

**Total**

This expenditure will be financed from:  
Government Grants

78 630 340	38 524 531
<u>78 630 340</u>	<u>38 524 531</u>
<b>78 630 340</b>	<b>38 524 531</b>
78 630 340	38 524 531
<u>78 630 340</u>	<u>38 524 531</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

43

## FINANCIAL RISK MANAGEMENT

2016  
R2015  
R

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

## (a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

## (b) Price risk

The municipality is not exposed to price risk.

## (c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

2016  
R2015  
R

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2015 - 0.5%) Increase in interest rates  
0.5% (2015 - 0.5%) Decrease in interest rates

(15 374)  
15 374(19 608)  
19 608

## (d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 17 for balances included in receivables that were re-negotiated for the period under review.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## 43 FINANCIAL RISK MANAGEMENT (CONTINUE)

Balances past due not impaired:

	2016		2015	
	%	R	%	R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	120 369	100.00%	39 881
<u>Exchange Receivables</u>				
Electricity	-358%	327 736	57%	1 159 013
Water	267%	(244 011)	14%	290 847
Refuse	19%	(17 299)	13%	264 391
Sewerage	92%	(84 093)	17%	337 611
Other	81%	(73 829)	-2%	(30 703)
	100.00%	(91 497)	100.00%	2 021 158

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2016		2015	
	%	R	%	R
Electricity	4.89%	3 097 704	3.78%	3 058 248
Water	37.06%	23 490 901	47.27%	38 270 392
Refuse	18.41%	11 672 933	15.37%	12 442 209
Sewerage	21.37%	13 549 735	19.98%	16 178 951
Other Consumer Arrears	2.29%	1 452 711	2.99%	2 418 146
Rates	12.22%	7 743 932	7.75%	6 271 677
Fines	3.76%	2 385 486	2.87%	2 325 617
	100.00%	63 393 403	100.00%	80 965 240

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows:

Trade receivables and other receivables	6 739 145	6 896 099
Cash and Cash Equivalents	2 849 822	2 170 064
Unpaid conditional grants and subsidies	3 157 376	-
	12 746 343	9 066 163

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

43

## FINANCIAL RISK MANAGEMENT (CONTINUE)

2016  
R2015  
R

## (e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2016</b>				
Long Term liabilities	3 278 181	7 269 637	-	-
Capital repayments	1 397 463	4 526 353	-	-
Interest	1 880 718	2 743 284	-	-
Payables From Exchange Transactions	77 670 503	-	-	-
Provisions	9 996 880	-	14 818 920	-
Capital repayments	9 996 880	-	10 816 046	-
Interest	-	-	4 002 874	-
Unspent conditional government grants and receipts	-2 019 302	-	-	-
	<u>88 926 263</u>	<u>7 269 637</u>	<u>14 818 920</u>	<u>-</u>
<b>2015</b>				
Long Term liabilities	3 299 775	8 981 800	-	-
Capital repayments	1 263 840	4 827 075	-	-
Interest	2 035 936	4 154 725	-	-
Payables From Exchange Transactions	43 425 641	-	-	-
Provisions	5 558 276	-	1 627 089	4 669 578
Capital repayments	5 558 276	-	1 196 957	2 400 989
Interest	-	-	430 132	2 268 588
Unspent conditional government grants and receipts	910 217	-	-	-
	<u>53 193 910</u>	<u>8 981 800</u>	<u>1 627 089</u>	<u>4 669 578</u>



SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
<b>44</b>	<b>FINANCIAL INSTRUMENTS</b>		
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
	The fair value of financial instruments approximates the amortised costs as reflected below.		
<b>44.1</b>	<b>Financial Assets</b>		
	<b>Classification IAS 39</b>		
	<b>Long-term Receivables</b>		
	Trade and other receivables with arrangements	-	-
	<b>Consumer Debtors</b>		
	Trade receivables from exchange transactions	56 986 275	74 338 163
	Other receivables from exchange transactions	2 083 619	3 338 849
	Other receivables from non-exchange transactions	11 062 654	9 184 327
	<b>Other Debtors</b>		
	Government Subsidies and Grants	3 157 376	-
	<b>Current Portion of Long-term Receivables</b>		
	Trade and other receivables with arrangements	-	-
	<b>Short-term Investment Deposits</b>		
	Call Deposits	1 546 486	389 618
	<b>Bank Balances and Cash</b>		
	Bank Balances	1 302 536	1 779 646
	Cash Floats and Advances	800	800
		<b>65 077 092</b>	<b>79 847 076</b>
	<b>SUMMARY OF FINANCIAL ASSETS</b>		
	Financial instruments at amortised cost	<b>65 077 092</b>	<b>79 847 076</b>
<b>44.2</b>	<b>Financial Liability</b>		
	<b>Classification IAS 39</b>		
	<b>Long-term Liabilities</b>		
	Annuity Loans	76 509	680 639
	Capitalised Lease Liability	4 449 844	4 146 536
	<b>Trade Payables</b>		
	Trade creditors	77 212 809	44 039 069
	Sundry creditors	4 567 357	3 964 743
	Deposits	-	-
	<b>Unspent Conditional Grants and Receipts</b>		
	Other Spheres of Government	1 138 074	910 217
	<b>Current Portion of Long-term Liabilities</b>		
	Annuity Loans	604 030	839 582
	Capitalised Lease Liability	793 433	423 858
	<b>Bank Balances and Cash</b>		
	Bank Balances	-	-
		<b>88 842 056</b>	<b>55 004 944</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>		
	Financial instruments at amortised cost	<b>88 842 056</b>	<b>55 004 944</b>
<b>45</b>	<b>EVENTS AFTER THE REPORTING DATE</b>	<b>2016 R</b>	<b>2015 R</b>
	Fraud investigation in terms of fictitious wage timesheets made by the Human Resources clerk.		

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**46 IN-KIND DONATIONS AND ASSISTANCE**

The municipality received funding from various parties for the SAMSRA Games to the value of R72 700.

**47 PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.

**48 CONTINGENT LIABILITY**

Phumelela Africa Professional Engineers	650 000	650 000
Siyancuma Municipality has a possible liability regarding outstanding Audit Fees from the Auditor General of South Africa	4 500 000	
Siyancuma has a possible liability regarding litigation claims for damages by M.J van Zyl	300 000	300 000

**49 RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

**49.1 Related Party Transactions**

		<b>Rates - Levied 1 July 2015 - 30 June 2016</b>	<b>Service Charges - Levied 1 July 2015 - 30 June 2016</b>	<b>Other - Levied 1 July 2015 - 30 June 2016</b>	<b>Outstanding Balances 30 June 2016</b>
<b>Year ended 30 June 2016</b>					
<b>Councillors</b>		<b>9 646</b>	<b>19 373</b>	<b>4 108</b>	<b>117 035</b>
D. Koopman	100986/102213	2 506	7 445	-	632
A. Oliphant	3C0500/300500	-	-	2 785	25 594
A. Oliphant	3C0139/300139	-	1 821	-	153
L van Niekerk	100153/100756	7 140	6 465	1 323	32 376
L van Wyk	131406/105258	-	3 641	-	264
L. Oliphant		-	-	-	28 005
A. Marekwa		-	-	-	15 005
C. Olyn		-	-	-	15 005
		<b>Rates - Levied 1 July 2014 - 30 June 2015</b>	<b>Service Charges - Levied 1 July 2014 - 30 June 2015</b>	<b>Other - Levied 1 July 2014 - 30 June 2015</b>	<b>Outstanding Balances 30 June 2015</b>
<b>Year ended 30 June 2015</b>					
<b>Councillors</b>		<b>8 870</b>	<b>15 250</b>	<b>2 785</b>	<b>113 273</b>
D. Koopman	100986/102213	2 304	6 110	-	461
A. Oliphant	3C0500/300500	-	-	2 785	22 809
A. Oliphant	3C0139/300139	-	2 130	-	141
L van Niekerk	100153/100756	6 566	7 010	-	17 447
L. Oliphant		-	-	-	30 405
A. Marekwa		-	-	-	21 005
C. Olyn		-	-	-	21 005

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

**49.2 Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note to the Annual Financial Statements.

**49.3 Compensation of key management personnel**

The compensation of key management personnel is set out in note 27 to the Annual Financial Statements.

**49.4 Other related party transactions**

The following purchases were made during the year where Councillors or Management have an interest:

C.J.B. Müller, CFO, is a minor shareholder at GWK

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## 50 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

**Financial Indicators**

The current ratio decreased to 0.31:1 from 0.31:1 in the prior year.

The municipality has furthermore budgeting for negative cash flows during 2016/2017 and 2017/2018 amounting to R8 360 000 and R12 087 000 respectively.

The average debtors' payment days increased to 632 days from 612 days. The debtors impairment ratio decreased to 90% from the previous year's 93%.

**Other Indicators**

Possible outflow of resources due the contingent liability disclosed in note 46

**APPENDIX A - Unaudited**  
**SIYANCUMA LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2015	Correction of Error	Balance at 30 June 2015 Restated	Received during the period	Redeemed written off during the period	Balance at 30 June 2016
<b>ANNUITY LOANS</b>									
NISSAN NP200 CDR 062 NC	10.50	Standard Bank	2016-11-01	36 785	-	36 785	-	(25 393)	11 391
NISSAN NP200 CDN 916 NC	10.50	Standard Bank	2016-10-01	34 715	-	34 715	-	(25 576)	9 139
NISSAN HARBODY NP300 CDP 880 NC	10.50	Standard Bank	2016-11-01	51 944	-	51 944	-	(35 858)	16 086
HYUNDAI H100 CDP 690 NC	10.50	Standard Bank	2016-10-01	64 832	-	64 832	-	(47 765)	17 068
JOHN DEERE CFR 787 NC (017)	10.50	Standard Bank	2017-07-01	126 200	-	126 200	-	(57 140)	69 059
TATA TIPPER CFZ 066 NC (019)	10.50	Standard Bank	2017-09-01	324 750	-	324 750	-	(135 361)	189 389
NISSAN HARBODY NP300 CDP 876 NC	10.00	Standard Bank	2016-11-01	75 894	-	75 894	-	(52 391)	23 503
NISSAN TIIDA CDP 877 NC	10.50	Standard Bank	2016-11-01	60 043	-	60 043	-	(41 449)	18 595
QUANTUM CDP 884 NC	10.50	Standard Bank	2016-11-01	111 197	-	111 197	-	(76 762)	34 436
NISSAN HARBODY CDZ032 NC	10.50	Standard Bank	2016-12-01	54 679	-	54 679	-	(35 489)	19 189
NISSAN HARBODY CDT 116 NC	10.50	Standard Bank	2016-12-01	54 788	-	54 788	-	(35 560)	19 228
NISSAN HARBODY CDT 114 NC	10.50	Standard Bank	2016-12-01	54 788	-	54 788	-	(35 560)	19 228
NISSAN HARBODY CDP 879 NC	10.50	Standard Bank	2012-11-01	51 899	-	51 899	-	(35 827)	16 072
TOYOTA HILUX CDK 987 NC	10.50	Standard Bank	2016-09-02	51 136	-	51 136	-	(40 366)	10 770
TATA HONEY SUCKER CFZ 858 NC (01)	10.00	Standard Bank	2017-08-01	366 870	-	366 870	-	(159 486)	207 384
<b>Total Annuity Loans</b>				<b>1 520 520</b>	<b>-</b>	<b>1 520 520</b>	<b>-</b>	<b>(839 982)</b>	<b>680 539</b>

APPENDIX A - Unaudited  
SIYANCUMA LOCAL MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2015	Correction of Error	Balance at 30 June 2015 Restated	Received during the period	Redeemed written off during the period	Balance at 30 June 2016
LEASE LIABILITY									
Various (R150100)	9 to 59%	Nashua	2019-12-31	3 977 953	-	3 977 953	-	(817 902)	3 160 051
Various (R2200)	48.00%	Nashua	2020-01-31	55 704	-	55 704	-	(4 411)	51 293
Various (R18918)	41.00%	Nashua	2020-03-31	536 737	-	536 737	-	(45 866)	490 871
PABX (R16700)	19.50%	Nashua	2020-09-30	-	-	-	738 720	(81 475)	657 245
CCTV Cameras (R24000)	25.42%	Nashua	2021-01-31	-	-	-	943 975	(60 158)	883 817
Total Lease Liabilities				4 570 394	-	4 570 394	1 682 695	(1 009 812)	5 243 277
TOTAL EXTERNAL LOANS				6 090 915	-	6 090 915	1 682 695	(1 849 793)	5 923 816

**APPENDIX B - Unaudited**  
**SIYANCUMA LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**  
**MUNICIPAL VOTES CLASSIFICATION**

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
-	-	-	Assessment Rates	-	-	-
29 820	(675 337)	(645 517)	Cemetery	30 599	(768 315)	(737 716)
-	-	-	Civic Centre	-	-	-
3 944 073	(6 526 499)	(2 582 427)	Cleansing	8 846 528	(9 646 652)	(800 124)
7 912 495	(51 578 200)	(43 665 705)	Corporate and Human Resources	225 658	(22 538 863)	(22 313 205)
-	-	-	Council General	-	-	-
-	-	-	Depreciation Reserves	-	-	-
81 824	(210 359)	(128 535)	Douglas Holiday Resort	103 845	(176 415)	(72 570)
28 021 900	(38 075 037)	(10 053 137)	Electricity	33 723 039	(40 834 301)	(7 111 262)
49 302 347	(26 858 972)	22 443 375	Finance	51 676 756	(32 107 557)	19 569 199
-	(362 594)	(362 594)	Fire Bridge	-	(396 775)	(396 775)
-	(5 080 021)	(5 080 021)	Governance - Council	-	(5 543 487)	(5 543 487)
1 800 000	(279 270)	(279 270)	Health Services	-	(281 146)	(281 146)
826 078	(1 681 627)	118 373	Interns	1 875 000	-	1 875 000
-	(1 804 618)	(978 540)	Library	795 625	(2 084 576)	(1 288 951)
-	-	-	Licences	1 500	-	1 500
87 195	(146 713)	(59 518)	Meent	66 171	(150 965)	(84 794)
-	(2 041 981)	(2 041 981)	Municipal Manager	-	(1 801 215)	(1 801 215)
-	(1 394 103)	(1 394 103)	Parks and Recreation	-	(784 592)	(784 592)
98 567	(4 002 325)	(3 903 758)	Properties	102 810	(4 288 804)	(4 185 994)
12 026 422	(10 970 681)	1 055 741	Public Works: Roads	20 092 787	(12 281 330)	7 811 457
-	-	-	Sanitation	-	-	-
15 924 611	(6 347 670)	9 576 940	Sewerage and Sanitation	11 348 280	(7 732 016)	3 616 264
-	-	-	Stormwater Drainage	-	-	-
3 944 756	(2 089 505)	1 855 251	Traffic	1 721 716	(3 413 647)	(1 691 931)
27 506 041	(5 175 648)	22 330 392	Water	15 846 941	(7 106 189)	8 740 752
151 506 126	(165 301 160)	(13 795 034)	Sub Total	146 457 255	(151 936 845)	(5 479 590)
-	1 359 380	1 359 380	Less Inter-Departmental Charges	-	2 025 992	2 025 992
151 506 126	(163 941 780)	(12 435 654)	Total	146 457 255	(149 910 853)	(3 453 598)

**APPENDIX C - Unaudited**  
**SIYANCUMA LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
-	(5 080 021)	(5 080 021)	Executive & Council	-	(5 543 487)	(5 543 487)
51 200 913	(32 542 924)	18 657 989	Budget & Treasury	53 654 566	(36 396 360)	17 258 206
7 999 690	(53 766 894)	(45 767 205)	Corporate Services	291 829	(24 491 043)	(24 199 214)
-	(279 270)	(279 270)	Health	-	(281 146)	(281 146)
855 898	(2 479 956)	(1 624 058)	Community & Social Services	826 224	(2 852 891)	(2 026 667)
3 944 756	(2 452 098)	1 492 657	Public Safety	1 723 216	(3 810 422)	(2 087 206)
81 824	(1 604 462)	(1 522 637)	Sport & Recreation	103 845	(961 007)	(857 162)
3 944 073	(6 526 499)	(2 582 427)	Waste Management	8 846 528	(9 646 652)	(800 124)
15 924 611	(6 347 670)	9 576 941	Waste Water Management	11 348 280	(7 732 016)	3 616 264
12 026 422	(10 970 681)	1 055 741	Road Transport	20 092 787	(12 281 330)	7 811 457
27 506 041	(5 175 648)	22 330 393	Water	15 846 941	(7 106 189)	8 740 752
28 021 900	(38 075 033)	(10 053 133)	Electricity	33 723 039	(40 834 297)	(7 111 258)
151 506 126	(165 301 156)	(13 795 030)	Sub Total	146 457 255	(151 936 840)	-5 479 585
-	1 359 380	1 359 380	Less Inter-Departmental Charges	-	2 025 992	2 025 992
151 506 126	(163 941 776)	(12 435 650)	<b>Total</b>	146 457 255	(149 910 848)	(3 453 593)

APPENDIX D - Unaudited  
SIYANCUMA LOCAL MUNICIPALITY  
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 July 2015	Correction of error	Restated balance 1 July 2015	Contributions during the year	Transfer	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2016
	R	R	R	R	R	R	R	R	R	R
UNSPENT/UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS										
Library Project	-	-	-	1 259 000	-	-	-	795 369	-	463 631
FMG	-	-	-	1 875 000	-	-	-	1 875 000	-	-
Equitable Share	-	-	-	39 294 000	-	-	-	39 294 000	-	-
MSIG	-	-	-	930 000	-	-	-	930 000	-	-
MIG	-	-	-	26 187 000	-	-	-	-	29 581 961	(3 157 376)
LG Seta	237 585	-	237 585	-	-	-	-	-	-	301 099
EPWP	301 099	-	301 099	-	-	-	-	-	-	347 344
Department of Minerals & Energy	371 533	-	371 533	1 000 000	-	-	-	1 024 189	4 624 000	26 000
Griekwastad 457	-	-	-	4 650 000	-	-	-	-	930 992	-
RBIG	-	-	-	930 992	-	-	-	-	749 990	-
Douglas Oxidation Ponds	-	-	-	749 990	-	-	-	-	-	-
Pixley District Municipality	-	-	-	3 999 820	-	-	-	-	3 999 820	-
	-	-	-	1 000 000	-	-	-	1 000 000	-	-
<b>Total</b>	<b>910 217</b>	<b>-</b>	<b>910 217</b>	<b>81 875 802</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44 918 558</b>	<b>39 886 763</b>	<b>-2 019 302</b>



**APPENDIX E - Unaudited**  
**SIYANCUMA LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**  
**REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
<b>Revenue - Standard</b>								
<i>Governance and administration</i>	45 639	(601)	45 039	53 946	8 908	-7497.7%	118.2%	59 201
Executive and council	2 133	-	2 133	-	(2 133)	-	-	-
Budget and treasury office	42 955	(577)	42 377	53 655	11 277	126.6%	124.9%	51 201
Corporate services	552	(23)	528	292	(236)	55.2%	52.9%	8 000
<i>Community and public safety</i>	1 299	-	1 299	2 653	1 355	204.3%	204.3%	4 882
Community and social services	1 299	-	1 299	826	(472)	63.6%	63.6%	956
Sport and recreation	-	-	-	104	104	#DIV/0!	#DIV/0!	82
Public safety	-	-	-	1 723	-	100.0%	100.0%	3 945
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	25 548	(8 100)	17 448	20 093	2 645	115.2%	78.6%	12 026
Planning and development	-	-	-	-	-	-	-	-
Road transport	25 548	(8 100)	17 448	20 093	2 645	115.2%	78.6%	12 026
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	95 652	(18 983)	76 669	69 765	(6 904)	91.0%	72.9%	75 397
Electricity	48 742	(9 038)	39 703	33 723	(5 980)	84.9%	69.2%	28 022
Water	23 998	(7 086)	16 912	15 847	(1 066)	93.7%	68.0%	27 506
Waste water management	13 881	-	13 881	11 348	(2 533)	81.8%	81.8%	15 925
Waste management	9 031	(2 859)	6 172	8 847	2 674	143.3%	98.0%	3 944
<i>Other</i>	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	<b>168 138</b>	<b>(27 683)</b>	<b>140 454</b>	<b>146 457</b>	<b>6 003</b>	<b>104.3%</b>	<b>87.1%</b>	<b>151 506</b>
<b>Expenditure - Standard</b>								
<i>Governance and administration</i>	65 399	(1 817)	63 582	66 202	2 620	104.1%	101.2%	91 211
Executive and council	8 486	(608)	7 878	5 543	(2 335)	70.4%	65.3%	5 080
Budget and treasury office	36 036	665	36 701	36 167	(534)	98.5%	100.4%	32 364
Corporate services	20 877	(1 874)	19 003	24 491	5 488	128.9%	117.3%	53 767
<i>Community and public safety</i>	6 742	(1 504)	5 238	7 652	2 414	146.1%	113.5%	6 563
Community and social services	3 361	(600)	2 760	2 821	61	102.2%	83.9%	2 457
Sport and recreation	2 138	(793)	1 345	770	(575)	57.2%	36.0%	1 400
Public safety	710	(15)	695	3 810	3 115	547.8%	536.6%	2 452
Housing	-	-	-	-	-	-	-	-
Health	533	(96)	437	251	(186)	57.3%	47.0%	255
<i>Economic and environmental services</i>	17 121	(1 507)	15 615	12 249	(3 365)	78.4%	71.5%	10 951
Planning and development	-	-	-	-	-	-	-	-
Road transport	17 121	(1 507)	15 615	12 249	(3 365)	78.4%	71.5%	10 951
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	76 793	(12 575)	64 218	63 808	(410)	99.4%	83.1%	55 217
Electricity	42 217	(2 053)	40 164	40 213	49	100.1%	95.3%	37 689
Water	9 853	(1 587)	8 266	6 397	(1 868)	77.2%	64.9%	4 791
Waste water management	10 694	(3 931)	6 763	7 551	788	111.7%	70.6%	6 210
Waste management	14 029	(5 024)	9 005	9 647	642	107.1%	68.8%	6 526
<i>Other</i>	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>166 055</b>	<b>(17 403)</b>	<b>148 652</b>	<b>149 911</b>	<b>1 259</b>	<b>100.8%</b>	<b>90.3%</b>	<b>163 942</b>
<b>Surplus/(Deficit) for the year</b>	<b>2 083</b>	<b>(10 281)</b>	<b>(8 198)</b>	<b>(3 454)</b>	<b>4 744</b>	<b>42.1%</b>	<b>-165.8%</b>	<b>(12 436)</b>

**APPENDIX E - Unaudited**  
**SIYANCUMA LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**  
**REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
<b>Revenue by Vote</b>								
Municipal Manager	-	-	-	-	-	-	-	-
Council	2 133	-	2 133	-	(2 133)	-	-	-
Corporate and Human Resources	217	(36)	180	282	112	161.9%	134.8%	8 000
Finance	44 213	(1 835)	42 377	53 552	11 174	126.4%	121.1%	51 102
Properties	335	13	348	103	(245)	29.5%	30.7%	99
Libraries	0	1 256	1 256	796	(462)	63.2%	1136607.4%	826
Cemetery	41	-	41	31	(10)	75.6%	75.6%	30
Parks and Recreation	-	-	-	104	104	#DIV/0!	#DIV/0!	82
Health Services	-	-	-	-	-	-	-	-
Waste Management	9 031	(2 859)	6 172	6 847	2 674	143.3%	96.0%	3 944
Public Works	17 587	(7 100)	10 487	20 093	9 606	191.6%	114.2%	12 026
Electricity	48 742	(9 038)	39 703	33 723	(5 980)	84.9%	69.2%	28 022
Water	23 998	(7 086)	16 912	15 847	(1 065)	93.7%	66.0%	27 506
Waste Water Management	13 881	-	13 881	11 348	(2 533)	81.8%	81.8%	15 925
Traffic	7 961	(1 000)	6 961	1 723	(5 238)	24.8%	21.6%	3 945
<b>Total Revenue by Vote</b>	<b>168 138</b>	<b>(27 683)</b>	<b>140 454</b>	<b>146 457</b>	<b>6 003</b>	<b>104.3%</b>	<b>87.1%</b>	<b>151 506</b>
<b>Expenditure by Vote to be appropriated</b>								
Municipal Manager	2 082	(204)	1 878	1 801	(77)	95.9%	86.5%	2 042
Council	6 404	(404)	6 000	5 543	(457)	92.4%	86.6%	5 080
Corporate and Human Resources	16 334	(1 906)	14 428	23 087	8 659	160.0%	141.3%	52 086
Finance	36 036	655	36 701	32 084	(4 617)	87.4%	89.0%	28 521
Properties	4 543	32	4 575	4 083	(492)	89.3%	89.9%	3 843
Libraries	2 496	(678)	1 818	2 053	235	112.9%	82.2%	1 781
Cemetery	864	76	942	768	(174)	81.5%	86.9%	675
Parks and Recreation	2 138	(793)	1 345	770	(575)	57.2%	36.0%	1 400
Health Services	1 243	(111)	1 133	251	(882)	22.1%	20.2%	255
Waste Management	14 029	(5 024)	9 005	9 647	642	107.1%	68.8%	6 526
Public Works	13 763	(934)	12 830	12 249	(581)	95.5%	89.0%	10 951
Electricity	42 217	(2 053)	40 164	40 213	49	100.1%	95.3%	37 669
Water	9 853	(1 567)	8 286	6 397	(1 888)	77.2%	64.9%	4 791
Waste Water Management	10 694	(3 931)	6 763	7 551	788	111.7%	70.6%	6 210
Traffic	3 358	(573)	2 785	3 414	629	122.8%	101.7%	2 090
<b>Total Expenditure by Vote</b>	<b>166 055</b>	<b>(17 403)</b>	<b>148 652</b>	<b>149 911</b>	<b>1 259</b>	<b>100.8%</b>	<b>90.3%</b>	<b>163 942</b>
<b>Surplus/(Deficit) for the year</b>	<b>2 083</b>	<b>(10 281)</b>	<b>(8 198)</b>	<b>(3 454)</b>	<b>4 744</b>	<b>42.1%</b>	<b>-165.8%</b>	<b>(12 436)</b>

**APPENDIX E - Unaudited**  
**SIYANCUMA LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**  
**REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)**

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Revised Audited Outcome
<b>R thousand</b>								
<b>Revenue By Source</b>								
Property rates	10 494	(68)	10 426	10 075	(351)	96.6%	96.0%	8 530
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-
Service charges - electricity revenue	42 090	(7 280)	34 810	23 440	(11 370)	67.3%	55.7%	21 630
Service charges - water revenue	16 108	(7 277)	8 831	10 486	1 655	118.7%	65.1%	11 356
Service charges - sanitation revenue	6 284	-	6 284	5 892	(392)	93.8%	93.8%	5 584
Service charges - refuse revenue	6 172	(2 859)	3 313	4 982	1 668	150.4%	80.7%	4 728
Service charges - other	-	191	191	-	(191)	-	-	-
Rental of facilities and equipment	461	(115)	347	271	(75)	78.3%	58.8%	266
Interest earned - external investments	620	(530)	90	150	60	166.8%	24.2%	407
Interest earned - outstanding debtors	629	-	629	820	191	130.4%	130.4%	682
Dividends received	-	-	-	-	-	-	-	-
Fines	6 800	(1 000)	5 800	865	(4 935)	14.9%	12.7%	2 966
Licences and permits	450	-	450	664	414	192.0%	192.0%	986
Agency services	758	(47)	711	-	(711)	-	-	-
Transfers recognised - operational	43 928	(150)	43 778	44 919	1 141	102.6%	102.3%	42 931
Other revenue	438	160	597	3 763	3 166	629.8%	859.7%	1 339
Gains on disposal of PPE	-	-	-	43	43	100.0%	100.0%	369
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>135 233</b>	<b>(18 976)</b>	<b>116 257</b>	<b>106 570</b>	<b>(9 687)</b>	<b>-61.7%</b>	<b>78.8%</b>	<b>101 775</b>
<b>Expenditure By Type</b>								
Employee related costs	54 543	(10 124)	44 420	48 069	3 650	108.2%	88.1%	42 351
Remuneration of councillors	3 161	318	3 480	3 740	260	107.5%	118.3%	3 626
Debt impairment	11 159	-	11 159	7 151	(4 008)	64.1%	64.1%	36 010
Depreciation & asset impairment	14 307	0	14 307	15 850	1 543	110.3%	110.8%	12 161
Finance charges	467	(206)	261	10 907	10 646	4174.7%	2333.6%	6 470
Bulk purchases	33 995	-	33 995	35 314	1 319	103.9%	103.9%	33 401
Other materials	-	-	-	2 677	2 677	#DIV/0!	#DIV/0!	2 185
Contracted services	1 800	700	2 500	-	(2 500)	-	-	-
Transfers and grants	12 942	(12 942)	-	1 048	1 048	#DIV/0!	8.1%	1 923
Other expenditure	33 680	4 851	38 531	23 749	(14 782)	61.6%	70.5%	23 296
Loss on disposal of PPE	-	-	-	1 241	1 241	#DIV/0!	#DIV/0!	2 519
<b>Total Expenditure</b>	<b>166 055</b>	<b>(17 402)</b>	<b>148 652</b>	<b>149 746</b>	<b>1 093</b>	<b>-654.2%</b>	<b>90.2%</b>	<b>163 942</b>
<b>Surplus/(Deficit)</b>	<b>(30 822)</b>	<b>(1 573)</b>	<b>(32 395)</b>	<b>(43 175)</b>	<b>(10 780)</b>	<b>133.3%</b>	<b>140.1%</b>	<b>(62 167)</b>
Transfers recognised - capital	32 905	(8 708)	24 197	39 887	15 690	164.8%	121.2%	42 076
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	7 655
<b>Surplus/(Deficit) for the year</b>	<b>2 083</b>	<b>(10 281)</b>	<b>(8 198)</b>	<b>(3 288)</b>	<b>4 909</b>	<b>40.1%</b>	<b>-157.9%</b>	<b>(12 436)</b>

**APPENDIX E - Unaudited**  
**SIYANCUMA LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**  
**CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (to MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
<b>Capital expenditure - Vote</b>								
<b>Multi-year expenditure</b>								
Municipal Manager	-	-	-	-	-	-	-	-
Council	-	-	-	-	-	-	-	-
Corporate and Human Resources	-	-	-	-	-	-	-	-
Finance	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-
Health Services	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Waste Water Management	-	-	-	-	-	-	-	-
Traffic	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure</b>								
<b>Single-year expenditure</b>								
Municipal Manager	-	-	-	-	-	-	-	-
Council	1 200	(1 200)	-	-	-	-	-	-
Corporate and Human Resources	160	-	160	1 724	1 564	1077.4%	1077.4%	4 445
Finance	160	-	160	54	(106)	33.8%	33.8%	323
Libraries	610	-	610	-	(610)	-	-	-
Cemetery	-	-	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	-	-
Health Services	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-
Public Works	9 687	-	9 687	7 006	(2 679)	72.3%	72.3%	14 820
Electricity	3 774	1 250	5 024	4 083	(941)	81.3%	108.2%	10 360
Water	7 200	10 000	17 200	17 428	228	101.3%	242.1%	5 352
Waste Water Management	4 530	(300)	4 230	5 723	1 493	135.3%	126.3%	6 777
Traffic	300	(300)	-	13	13	#DIV/0!	100.0%	23
<b>Capital single-year expenditure</b>	<b>27 621</b>	<b>9 450</b>	<b>37 071</b>	<b>36 033</b>	<b>(1 038)</b>	<b>97%</b>	<b>130%</b>	<b>42 100</b>
<b>Total Capital Expenditure - Vote</b>	<b>27 621</b>	<b>9 450</b>	<b>37 071</b>	<b>36 033</b>	<b>(1 038)</b>	<b>97%</b>	<b>130%</b>	<b>42 100</b>
<b>Capital Expenditure - Standard</b>								
<b>Governance and administration</b>	<b>1 520</b>	<b>(1 200)</b>	<b>320</b>	<b>1 778</b>	<b>1 458</b>	<b>555.6%</b>	<b>117.0%</b>	<b>4 768</b>
Executive and council	1 200	(1 200)	-	-	-	-	-	-
Budget and treasury office	160	-	160	54	(106)	33.8%	33.8%	323
Corporate services	160	-	160	1 724	1 564	1077.4%	1077.4%	4 445
<b>Community and public safety</b>	<b>910</b>	<b>(300)</b>	<b>610</b>	<b>13</b>	<b>(597)</b>	<b>2.1%</b>	<b>1.4%</b>	<b>23</b>
Community and social services	610	-	610	-	(610)	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	300	(300)	-	13	13	#DIV/0!	100.0%	23
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>9 687</b>	<b>-</b>	<b>9 687</b>	<b>9 222</b>	<b>(465)</b>	<b>95.2%</b>	<b>95.2%</b>	<b>14 820</b>
Planning and development	-	-	-	-	-	-	-	-
Road transport	9 687	-	9 687	9 222	(465)	95.2%	95.2%	14 820
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	<b>15 504</b>	<b>10 950</b>	<b>26 454</b>	<b>27 234</b>	<b>780</b>	<b>102.8%</b>	<b>175.7%</b>	<b>22 490</b>
Electricity	3 774	1 250	5 024	4 083	(941)	81.3%	108.2%	10 360
Water	7 200	10 000	17 200	17 428	228	101.3%	242.1%	5 352
Waste water management	4 530	(300)	4 230	5 723	1 493	135.3%	126.3%	6 777
Waste management	-	-	-	-	-	-	-	-
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Standard</b>	<b>27 621</b>	<b>9 450</b>	<b>37 071</b>	<b>36 247</b>	<b>1 176</b>	<b>103%</b>	<b>138%</b>	<b>42 100</b>
<b>Funded by:</b>								
National Government	23 587	11 250	34 837	30 005	(4 832)	86.1%	127.2%	34 350
Provincial Government	610	-	610	5 097	4 487	835.7%	835.7%	-
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>24 197</b>	<b>11 250</b>	<b>35 447</b>	<b>35 103</b>	<b>(344)</b>	<b>99%</b>	<b>145%</b>	<b>34 350</b>
<b>Public contributions &amp; donations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Borrowing	1 800	(1 800)	-	1 478	1 478	100.0%	102.0%	4 290
Internally generated funds	1 624	-	1 624	395	(1 239)	23.7%	23.7%	3 460
<b>Total Capital Funding</b>	<b>27 621</b>	<b>9 450</b>	<b>37 071</b>	<b>36 984</b>	<b>(87)</b>	<b>100%</b>	<b>134%</b>	<b>42 100</b>

**APPENDIX E - Unaudited**  
**SIYANCUMA LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**  
**CASH FLOWS**

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Ratapayers and other	78 176	614	78 790	63 953	(14 836)	81.2%	81.8%	34 458
Government - operating	43 280	(7 879)	35 401	44 919	9 518	126.3%	103.8%	42 931
Government - capital	32 295	(8 708)	23 587	39 887	16 300	169.1%	123.5%	42 076
Interest	1 249	(530)	719	971	252	135.0%	77.7%	1 069
Dividends	-	-	-	-	-	-	-	-
<b>Payments</b>								
Suppliers and employees	(115 437)	-	(115 437)	(102 380)	13 057	88.7%	85.7%	(80 485)
Finance charges	(414)	-	(414)	(10 907)	(10 494)	2635.7%	2635.7%	(6 470)
Transfers and Grants	(18 083)	-	(18 083)	-	18 083	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>21 065</b>	<b>(16 503)</b>	<b>4 562</b>	<b>36 442</b>	<b>31 980</b>	<b>798.8%</b>	<b>173.0%</b>	<b>33 597</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	-	-	-	410	410	100.0%	100.0%	3 868
Decrease (increase) in non-current debtors	22 000	-	22 000	-	(22 000)	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
<b>Payments</b>								
Capital assets	(35 719)	9 898	(25 821)	(34 409)	(8 588)	100.0%	100.0%	(38 750)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(13 719)</b>	<b>9 898</b>	<b>(3 821)</b>	<b>(34 000)</b>	<b>(30 179)</b>	<b>889.8%</b>	<b>247.8%</b>	<b>(35 082)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	4 500	(1 800)	2 700	-	(2 700)	-	-	-
Increase (decrease) in consumer deposits	19	-	19	15	(4)	100.0%	100.0%	16
<b>Payments</b>								
Repayment of borrowing	(900)	-	(900)	(1 850)	(950)	205.5%	205.5%	(5 823)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>3 619</b>	<b>(1 800)</b>	<b>1 819</b>	<b>(1 834)</b>	<b>(3 654)</b>	<b>-100.8%</b>	<b>-50.7%</b>	<b>(5 807)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>10 966</b>	<b>(8 405)</b>	<b>2 560</b>	<b>608</b>	<b>(1 953)</b>	<b>23.7%</b>	<b>5.5%</b>	<b>(7 291)</b>
Cash/cash equivalents at the year begin:	9 866	(7 698)	2 168	2 170	2	100.0%	100.0%	9 462
Cash/cash equivalents at the year end	20 832	(16 104)	4 728	2 850	(5 504)	60.3%	13.7%	2 170